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NEWS SUMMARY

GENERAL

Blast at PLO office kills 20

At least 20 died and more than 70 were injured when a bomb wrecked PLO headquarters in southern Lebanon.

The explosion coincided with another at a cement factory in the northern town of Chekka, where 10 died and 10 were injured.

Responsibility for both explosions was claimed by the Front for the Liberation of Lebanon from Aliens, but the PLO blamed Israel. Page 4

Haig warning

U.S. Secretary of State Alexander Haig warned Congress that defeat of the proposed radar and arms deal would jeopardise U.S. Middle East strategy. Page 4

Soviets retaliate

Egypt's military attache and staff were ordered from the Soviet Union in retaliation for Egypt's expulsion of Soviet diplomats. Egypt to replace Soviet turbines, Page 4

Blockade alert

Solidarity adviser Bronislaw Geremek says the Polish union must be prepared for a Soviet economic blockade. Page 3

Denis's letter

Welsh secretary Nicholas Edwards said the row over Denis Thatcher's letter to him was exaggerated and absurd. Page

Prior at Maze

James Prior, the new Ulster secretary, made a surprise visit to the Maze prison where he saw—but did not talk to—IRA hunger strikers. Page 10

Nobel candidates

Lech Walesa, leader of Poland's Solidarity union, and UK Foreign Secretary Lord Carrington are among candidates for the 1981 Nobel Peace Prize.

Mugabe balance

Prime Minister Robert Mugabe said Zimbabwe's civil service had almost been cleared of racial imbalances created by former governments. Zimbabwe bank rate rise, Page 4

Springboks ban

A rugby match in New York State, in which the Springboks were due to play, was cancelled in case of rioting by anti-apartheid demonstrators.

W. Indies pace

West Indies include six pace bowlers in their cricket squad to tour Australia because of the number of limited-over internationals they will play.

Vive la guillotine

Sixty-two per cent of the French want the guillotine retained, a poll in Le Figaro revealed. Page 2

Result awaited

The fate of Yorkshire opening batsman Geoff Boycott was still in the balance last night after five hours of committee meetings at Headingley

Panda birth

Juan Juan, the world's first giant panda to give birth after artificial insemination, had twins at Peking Zoo on Monday, but only one survived.

Briefly . . .

Yugoslav Poet Gojka Djogo was jailed for two years for hostile propaganda.

Sugar Ray Leonard took the World Welterweight Boxing championship in Las Vegas.

Body of 45 ft Finn whale was washed ashore in Orkney—the first since 1852.

Drivers recovered gold bars from sunken warship HMS Edinburgh 170 miles off Murmansk, Russia.

COMPANIES

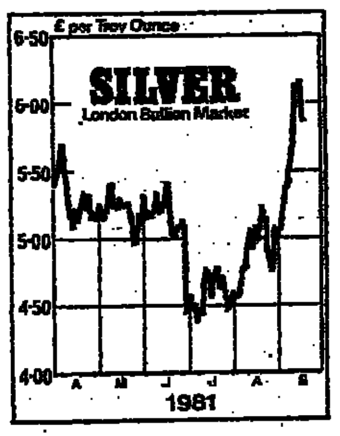
Gilts slide; rally in Equities

● GILTS were affected by concern about new government funding, but steadied after the money supply statistics. The FT Government Securities Index fell 0.34 to 62.33, a 4½-year low. Page 38

● EQUITIES improved and the FT 30-share index rose 5.9 to 531.4. Page 38

● GOLD rose $5½ to close at $456.25. In New York the Comex September close was $442.1.

● SILVER prices fell sharply in late trading after a report from Washington that the U.S. planned to offer for sale 1.25m



ounces a week from its strategic stockpile after October 1. The London bullion market spot price fell to close at 586p. Page 31

● WALL STREET was up 8.18 at 843.42 near the close.

● STERLING fell 1.5 cents to close at $1.834. It dropped to DM 4.18 (DM 4.26), its lowest since July last year; SwFr 3.595 (SwFr 3.6675) and FFr 10.035 (FFr 10.205). Its trade-weighted index was 87.7 (88.6).

● DOLLAR slid to DM 2.279 (DM 2.303). It closed at SwFr 1.959 (SwFr 1.983) and Y226.5 (Y226.75). Its trade-weighted index was 107.2 (108.4). P

● GKN, the UK's largest engineering group, recovered to pre-tax profits of £6.4m for the first half of the year, against a los of £37.4m in the previous six months. Back Page

● LLOYDS & SCOTTISH, the finance and credit group, is to buy Hamilton Leasing for £32m. Back Page

● RATES OF RETURN on capital in industry and commerce (excluding North Sea) last year fell to 3 per cent net (5 per cent in 1979)—the lowest since records began in 1960. Page 7

● NOMURA Securities of Japan is working on a plan to "recycle" Arab oil money into Japanese investment projects to establish joint venture light industries in China. Page 6

● OPEC president Dr Subroto says an early agreement on unified oil pricing remains uncertain. Back Page

● EEC finance ministers agreed in Brussels that interest rates for export credits should be raised by up to 2.5 per cent. Back Page

● SWEDEN considers a GATT anti-dumping code investigation of alleged tyre price dumping by South Korea and Jugoslavia. Gatt issues veiled warning on trading rules, Page 6

● PRESTEL, British Telecom's viewdata information service, is to start an electronic mail service later this month for sending written messages through the telephone system. Back Page

● FOSECO MINSEP, the metallurgy, building products and chemicals group, is raising £25.1m by a rights issue of 13.8m shares on the basis of one new share at 182p for every five held on September 10. Page 22, Lex Back Page

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Dixon (D.)	106	+ 9
GKN	178	+ 11
ICI	274	+ 6
L'pool Daily Post	152	+ 10
Lucas Inds	224	+ 8
Rowton Hotels	137	+ 10
UDS	75	+ 5
Peko-Wallsend	450	+ 25
FALLS		
Treas 11¾pc 1991	£81½	— ½
Treas 2pc IL 1996	£93½	— ½
Baird (Wm)	193	— 10
Barratt Devs	237	— 8
Bestobell	410	— 13
British Aerospace	204	— 6
Davies and Newman	95	— 7
Farnell Elec	455	— 10
Fisons	142	— 6
Foseco Minsep	200	— 26
Gresham House	273	— 12
Hesketh M'cycles	35	— 10
Legal and General	247	— 4
Lon Merchant Secs	60	— 4
Mining Supplies	122	— 7
Office & Electronic	335	— 15
Smiths Inds	345	— 10
Steetley	181	— 7

D-Mark rise brings speculation on EMS realignment

BY STEWART FLEMING IN FRANKFURT AND DAVID MARSH IN LONDON

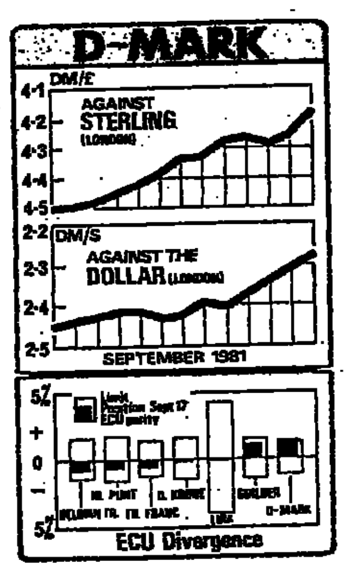
SURGING DEMAND for the D-mark in hectic European foreign exchange dealing yesterday sent the German currency to its highest level against the dollar since May and prompted renewed speculation about the possibility of a re-alignment in the European monetary system.

The Bundesbank, the West German central bank, hinted yesterday in its monthly report that it would favour a realignment. It complained that the inflexibility of the European exchange stabilisation scheme was threatening to impede its fight against inflation.

The D-mark for the first time yesterday rose above its "divergence threshhold" in the EMS—the level which is supposed to trigger off government action to bring EMS exchange rates back into better balance.

The dollar closed in London at DM 2.2790 compared with DM 2.3030 on Wednesday after, at one time, falling as low as DM 2.26.

Later in New York the dollar recovered further in busy early dealings to DM 2.2955, with the foreign exchange market nervous about rumours of a deepening of the political crisis in Poland.



The sharp flurry of funds into the D-mark in Europe brought pressure on the pound for the first time since Monday's defensive credit tightening move by the Bank of England.

Sterling closed in London at DM 4.18, sharply down from Wednesday's DM 4.26 and the lowest finishing level since July 1980. It was around this rate on Monday that the Bank took action to support the pound.

The DM's rise on foreign exchanges was so sharp that the Bundesbank which has spent billions of dollars in the past two years defending the German currency turned round and bought dollars to smooth the rise in its currency.

Declining U.S. interest rates and a change in market sentiment towards the DM in the wake of evidence of a sharp improvement in Germany's balance of payments in the past three months have contributed to the rise.

Yesterday, the German currency was officially fixed in Frankfurt against the dollar at DM 2.2730, a rise of almost 5 pfenigs over Wednesday's fixing. A week ago the dollar-DM rate was around DM 2.40 and just over a month ago it hit a five-year low of DM 2.58.

Sterling also dropped 1.5 cents against a generally weaker dollar yesterday to close in London at $1.8340. Its trade weighted index calculated by the Bank of England fell to 87.7 from 88.6.

The pound closed sharply

Continued on Back Page

Bank predicts smaller pay rises

BY DAVID MARSH

FINANCIAL PRESSURES on companies could lead to another sharp decline in the level of wage settlements in the next 12 months, possibly to about the 4 per cent increase allowed for by the Government in the public sector, the Bank of England said last night.

In an assessment of economic prospects in its latest quarterly bulletin, the Bank holds out little hope of a speedy recovery from recession. It says the recent fall in sterling has worsened the inflation outlook.

The bulletin says industry's productivity has improved this year following the sharp drop in employment. But it warns that recent gains in competitiveness must be improved further "since without this, strong economic growth is likely to be difficult to achieve."

The Bank says the financial pressures on companies, which contributed to a marked slowing of wage increases in the last wage round, will remain "severe," partly because of the possibility that the output trend could remain flat.

The Bank mentions no figures. But since the level of wage settlements in the 12-month pay round to July more than halved to about 9 per cent, the Bank is suggesting that a 4-5 per cent outcome could be feasible for the next round.

A possible worsening of companies' financial position in coming months could make it more difficult to achieve the growth target for sterling M3, especially if recent increases in banks' personal lending persisted. Aside from any repercussions on wages, the fall in sterling this year could push up prices in two years by about 3 per cent compared with where they would have been if the pound had remained at the end-1980 level.

A slowdown in the rate of stock reductions, which may now be in progress, should help output recover, the Bank says. But it lists as opposing influences less buoyant consumer demand, weak investment, the loss of competitiveness caused by last year's rise of the pound, and the gloomy world economic outlook.

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£ in New York

	Sept. 16	Previous
Spot	$1.8535-8555	$1.8420-8440
1 month	0.18-0.25 pm	0.35-0.42 pm
3 months	1.00-1.10 pm	1.30-1.40 pm
12 months	4.45-4.55 pm	4.80-5.00 pm

Nissan decision on British car plant postponed

BY KENNETH GOODING IN FRANKFURT

NISSAN of Japan is still interested in setting up a £300m car plant in Britain but is having great difficulty putting together a viable project.

This became clear yesterday when Mr Masataka Okuma, Nissan's executive vice-president, admitted that a decision on the project had again been delayed. The group will probably not be able to give a decision until nearly next year.

When it announced in January that it was to start a feasibility study into setting up a 200,000 car a year plant in Britain which might create 5,000 jobs, Nissan said it hoped to make a decision by the summer.

Mr Okuma pointed out yesterday that both Nissan and the British Government would want the scheme to go ahead only if it could be profitable.

He hinted that Nissan's concern involved labour efficiency in the UK, the price of European components and the cost of building the plant.

It is apparent the company did not like the early arithmetic thrown up by the study. It has since looked at a series of alternatives.

Several component suppliers at the Frankfurt motor show, privately admit that Nissan has recently asked them to quote prices for parts for a second car.

At first the Japanese were interested in building in Britain a car of the size of the Datsun Violet, which is equivalent to Ford's Escort. The most recent quotation asked for have been for a smaller car. A new small Nissan car, a replacement for the Datsun Sunny, is due to be launched by the end of this year.

One major problem Nissan faces is that it has volunteered that the car built in Britain would have a 60 per cent local content from the beginning, gradually going up to 80 per cent. The group evidently believes that with this level of local content other EEC countries would have to accept it as a European rather than a Japanese car.

Mr Okuma yesterday refused, however, to give an indication of how that local content would be measured. This was a matter of negotiation with the UK Government, he said.

It would take three years to get any plant into production. Nissan has already missed its target start-up date of 1984.

The Nissan management still very much wants the UK plant which it sees as the most crucial part of the group's expansion programme outside Japan. But the longer a decision is delaped the less likely itis that the group will reach a positive decision.

Significantly, Mr. Okuma yesterday refused to be drawn on whether the omens were now more favourable or less favourable than when the project was first announced in January. "It is not appropriate for me to say," he said.

He stressed, however, that Nissan's future depended heavily on "co-operation and tie ups with foreign manufacturers, and establishing manufacturing facilities overseas. We believe this is the only way to ensure our company's future growth and success in the light of the intensifying competition on a global scale."

Referring to the deal announced earlier this week for the production of a new Volkswagen car by Nissan in Japan, Mr Okuma said: "If there is anything Nissan can do to facilitate the sales of any European manufacturer in Japan we will be happy to help them in any way we can."

Protectionism among the car manufacturing countries should be brought to an end, he said. "Protectionism, spreading from country to country, weakens or even undermines a company's competitiveness and strength. In the long run it will turn out to be detrimental to all companies and countries concerned."

Hesketh call for cash

HESKETH MOTORCYCLES is to raise another £590,000 for working capital in addition to the £1.3m raised in the City last year. The funds are needed because the company's 130 mph motorcycle has run into engineering problems. These are delaying its sales launch until the end of the year.

Lord Alexander Hesketh, the company's 30-year-old founder and deputy chairman, has spent three years and £500,000 developing the 1,000 cc motorcycle, which was to have been launched this summer. Page 8

Liberal vote on defence could strain SDP alliance

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

THE LEADERS of the newly-solemnised Liberal/SDP alliance faced an immediate problem over defence policy yesterday. The Liberal assembly, ignoring the advice of its Parliamentary leadership, voted decisively against both Cruise missiles and the neutron bomb.

Mr Steel, the Liberal leader, has also apparently told the Social Democrats that they cannot expect the Liberals to stand down in areas where the Social Democrats have no organisation, merely to make the candidate numbers add up nationally.

At present the SDP is asking for "rough parity" and the Liberals are talking in terms of the need to avoid any one party having an "overwhelming preponderance" of seats.

After the defence vote, Mr Steel upset some Liberals by making it clear that, although he would take on board the assembly's concern about the nuclear arms race, he did not feel bound by the resolution.

Afterwards Mr Bill Rodgers, one of the SDP leaders, said the assembly had taken the "wrong decision," and had effectively gone unilateralist.

The motion was not couched in terms of unilateralism, it called on the party to take the initiative in calling for a nuclear free Europe, and in campaigning against both the deployment of Cruise missiles and their siting in Britain. It also opposed the neutron bomb.

Many of those speaking against the motion nonetheless insisted that it amounted to unilateralism in that it did not make renouncing Cruise missiles dependent on a satisfactory response from the Russians.

Certainly, there was a strong unilateralist mood among delegates, and the debate showed the mistrust many Liberals have for the U.S. administration.

The Liberals are already opposed to Trident and an extension of Polaris, but at its conference last year, the party rejected unilateralism. Yesterday, however, the assembly rejected a compromise motion, which would have called for multilateral disarmament talks on a European basis and postponed a decision on Cruise

This would have been compatible with the SDP's emerging policy, and was what the Liberal leadership — with the exception of two MPs—wanted. But the assembly rejected the amendment by 750 to 485

Mr Steel said afterwards that the Liberal Party at Westminster would take heed of the mood of the assembly, and would use its "best efforts" to promote nuclear disarmament. But he said he had to make it clear that they would only do this in the context of European negotiations.

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Chemical Bank unveils UK index-linked commercial loan

BY ALAN FRIEDMAN

CHEMICAL BANK, the seventh largest U.S. bank, unveiled the first known index-linked commercial loan in the UK yesterday, with news of a £1.5m facility for a "major city institution", believed to be an insurance group.

An index-linked loan is a borrowing in which the cost to the borrower company is linked directly to changes in the UK Retail Prices Index (RPI).

The basis for calculating payments is similar to that used by the Treasury for calculating payments on its recently launched Index-Linked Gilts.

Chemical Bank also revealed last night that it had matched the £1.5m borrowing with a deposit for the same amount, also linked to the RPI, from a "composite insurance group."

Both deals are three-year transactions. The depositor will receive a nominal coupon which is in excess of the index-linked gilt rate, but the borrower will pay a coupon higher than the depositor's rate.

Mr Bill Harrison, general manger of Chemical Bank's UK operations, said yesterday he was pleased with the opportunity to offer the first such arrangement in the UK. The idea came from Chemical Bank's World Insurance Group, he said.

He did not know the degree of interest in such loans, but said the idea could have broader appeal. "We are putting our toe in the water with this loan."

Until now the only institutions which have had access to this type of investment medium have been pension funds and, on a much smaller scale, private individuals taking advantage of Granny Bonds.

Under the terms of the loan, Chemical will receive payments on the nominal coupon, compounded on an annual basis, in accordance with the inflation rate. In addition, the capital will also be revalued in line with the inflation rate.

For example, if inflation in the next three years is at an annual rate of 10 per cent, the borrower will repay capital of £1.9965m at the end of the loan period (against £1.5m).

Chemical Bank's World Insurance Group is a specialised division in the bank which provides banking services to the insurance industry. The bank hopes the idea will catch on in other sectors.

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Norwegian coalition hopes recede

By Fay Gjester in Oslo

AN ALL-CONSERVATIVE Government, rather than a Conservative-led coalition, seems likely to be the result of this week's Norwegian elections.

Negotiations about the possibility of forming a three-party coalition were continuing yesterday between the Conservative Party and its potential partners, the Centre and Christian People's Parties, but prospects of success seemed poor.

Mr Kaare Willoch, the Conservative leader, was already reported to be making up his list of Ministers for an entirely Conservative Cabinet.

The change of Government is due on October 12 or 13, after the outgoing Labour Government has tabled its 1982 budget in the Storting (Parliament).

The two smaller parties are in an unhappy mood, after heavy losses at the polls. Their combined strength in the 155-member Storting fell from 34 to 26, while the Conservative group jumped to 54 from 41. This has made some factions in both parties reluctant to join a coalition in which they would be doomed to play a junior role. Another problem is the CPP's demand for a change, which the Conservatives are unwilling to support, in the law which permits abortion on demand.

The CPP's formal decision not to join will probably be announced today, after a meeting of the party's national executive. This will mean that the Centre Party will stay on the sidelines as *well—it has already said it* will not take part in a coalition with the Conservatives unless the CPP also joins.

Rallis as caretaker

A CARETAKER Greek Government under Mr George Rallis, the Prime Minister, was sworn in yesterday to conduct general elections on October 18, Victor Walker reports from Athens.

It includes four non-party Ministers as guarantors of fair play.

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Communists keep grip on Rome

BY RUPERT CORNWELL IN ROME

A COMMUNIST-LED Administration will continue to run the Rome municipality. Sig Luigi Petroselli, the outgoing Communist mayor was re-elected yesterday for a new term by a combination of votes from his own party and the socialists.

But the maintenance of Sig Petroselli, who has been mayor since 1979, will not be enough to dispel the clouds surrounding relations between Italy's two major parties of the Left, or the strains developing at national political level.

After three unsuccessful votes on Wednesday night, when an absolute majority of the 80 city councillors was required, the out-going mayor was re-elected yesterday by a simple majority, secured by the support of 39 Communists and Socialists, and the abstention of the three Republican Party representatives.

On the face of it the outcome represents a further setback for the Christian Democrats, who had been insisting that the smaller parties (Socialists, Social Democrats and Republicans) in the current central Government should not ally themselves with the Communists against the Christian Democrats in administrations formed after the local elections in June.

In the event only the Social Democrats took the hint and indeed the exclusion of the Communists, who improved their share of the vote three months ago in Rome, would certainly have led them into even more hostile opposition to the five-party Central Government of Sig Giovanni Spadolini, the Republican Party leader.

Moreover, the city's Left-wing Administration is generally regarded as having been more effective and competent than the Christian Democrats who held unbroken power in Rome until 1976.

In the meantime, however, the Socialists are stepping up attacks on the Communists, by querying whether it is right that a Communist—Nilde Jotti—should hold the presidency of the Chamber of Deputies.

This has been accompanied by feuding between other members of the coalition as shown in the continuing difficulty in agreeing on spending cuts in the anti-inflation package under *preparation by the Government.*

Observers believe that the parties are working to re-establish their separate identities, ahead of new general elections for which next spring remains a widely forecast date.

● Italy's balance of payments is in credit for the first time this year, according to statistics issued *yesterday by* the central bank. August produced the third substantial monthly surplus running, of L1,240bn (£561m). This brings the outturn for the first eight months of 1981 to a modest surplus of L549bn.

The main reasons for the improvement were the 30 per cent import deposit scheme introduced in May and an increase in receipts from foreign tourists last month.

Sig Luigi Petroselli: a simple majority

Schmidt angered by German steel price delay

BY ROGER BOYES IN BONN

WEST GERMANY'S Government has sharply criticised the domestic steel industry for delaying price rises and is clearly afraid that its new policy of limited subsidy to the steel producers is under threat. Officials said yesterday that Chancellor Helmut Schmidt had expressed dismay at Wednesday's Cabinet meeting when the issue was discussed.

The major German producers decided earlier this month to postpone price rises from October 1 to November 1, thus causing confusion among European steel companies who have been raising their prices on schedule, in line with the European Community's recovery plan for the industry.

The German companies will now raise their prices by DM 50 (£11.3) per tonne of rolled steel in November, a month later than other producers, and by a further DM 140 per tonne on January 1.

The Government's concern is easy to understand. Bowing to pressure from steel producers, it announced in August that it would bend its free market principles and introduce a DM 1.34bn state aid programme for the industry, providing the the companies raised their prices as agreed within the Community. But the German companies, having talked collectively to their customers, wanted to delay the autumn price rise for as long as possible.

There is little that the Government can do about the postponement and there appears to be no question of scrapping the state aid programme. But the delay poses a challenge to the Government's intention to limit strictly the scope of subsidy.

The risk is that the price delay will hit the smaller steel companies, some of whom have severe liquidity problems, who will then in turn, ask for further state help.

The original reason for delaying the price rises — discontent among steel consumers such as the mechanical engineering industry — is still a pressing factor.

While executives in the mechanical engineering federation showed some understanding yesterday, they also pointed out that the Government appeared to be transferring problems from one sector to another.

Turks hope for 'easier relations'

BY DAVID TONGE

THE TURKISH military regime expects an easier relationship with Western Europe after its Constituent Assembly starts drafting a new constitution on October 23.

The *one-year-old junta* has been under pressure from European Governments to start a return to parliamentary democracy. The latest instance was on Wednesday when Lord Carrington, the British Foreign Secretary, stressed the importance Britain gave to this while *talking in London to Mr Ilter* Turkmen, his Turkish counterpart.

But in an interview yesterday Mr Turkmen insisted that Britain had shown understanding of Turkey's problems and *that the new French Govern*ment had not given any indications that it would change the quiet approach of its predecessor. He also said that the West German Government, which this week signed an agreement worth DM 600m for Turkey, appeared to be taking *a more positive stand.*

He added that he had the feeling that bodies like the Council of Europe and European Parliament would appreciate Turkey more after the Constituent Assembly started its work. To comments that the assembly is a hand-picked body with no powers, he commented that what was important was what the assembly would produce. He cited the way de Gaulle had master-minded drafting of France's present constitution.

Two-thirds of French want to keep guillotine

BY OUR FOREIGN STAFF

THE FRENCH National Assembly yesterday began a debate on the abolition of the death penalty as a new opinion poll showed that almost two-thirds of the population are favour of keeping the guillotine.

Although the Socialist-Communist majority in the Assembly is expected to ensure that President Francois Mitterrand's abolition promise is kept, 62 per cent of those interviewed by Le Figaro said they wanted to keep the death penalty.

The last person to be guillotined in France—in 1977 — was an immigrant.

Under the Government's proposal, the stiffest punishment in future would be life imprisonment. In France that usually means 20 years or less.

Developed nations fail to meet Third World's need

BY FRANCIS GHILES

THE POOREST nations in Africa and Asia can look forward to an increase in the volume of aid they receive from *industrialised* countries following the rescue plan unanimously adopted at the close of a two-week United Nations conference specially convened in Paris to discuss the plight of the world's 31 most impoverished countries.

However, the New Special Action Program falls far short of what the Less Developed Countries (LDCs) have inisisted was essential.

The LDCs had asked that the volume of aid be doubled, in real terms, before 1985 and quadrupled by 1990. They had also urged that aid donors commit themselves to an aid target of 0.15 per cent of their Gross National Product (GNP) by 1985 and that 30 per cent of all bilateral and multilateral aid be channelled to the 31 poorest nations.

Checking the LDCs' shopping *list against the final agreement* is a sobering exercise. Any idea of quadrupling aid by 1990 was dismissed by the industrialised countries, who also insisted that channelling 30 per cent of all aid to the most needy was an unrealistic target.

All participants at the conference did, however, accept the principle that a special effort be made for the LDCs. Aid donors would either try to double the aid they give (but the expression "in real terms" is absent from the final text of the agreement) or try to ensure that 0.15 per cent of their GNP be devoted to helping the poorest countries "in the years to come."

The absence of any target date casts a long shadow over the final agreement. This results from disagreements between aid donors, whose respective policies *have widely* differed in recent years. The EEC countries agreed to the 0.15 per cent target but only after the UK—to be more precise its Treasury—had surrendered to intense French pressure during President Francois Mitterrand's visit to London last week.

The manner in which the UK dragged its heels on the aid issue angered many Third World delegates in Paris and puzzled others, all the more as the UK is already close to the newly agreed target of 0.15 per cent. In 1979, the last year for which figures are available, the UK figure of aid to the 31 poorest countries was 0.116 per cent of its GNP.

Some explain the UK's reluctance to increase its share of aid by the fact that the 1979 donation may actually fall in *1980 and 1981* as further spending cuts eat into the overseas aid budget. Hence the Treasury's reluctance to agree to a target, let alone a date for achieving it.

West Germany quickly fell into step after the UK had given in, but the U.S. refused to move from its traditional dislike of long term aid commitments.

France meanwhile, has emerged as the champion of more aid to the Third World. Actively led by Ambassador Stephane Hessel and strongly backed by M Jean Pierre Cot, the president of the conference and Development Minister. France committed itself to spending 0.15 per cent of its GNP on aid to LDCs by 1985 and 0.7 per cent on aid to all developing nations by 1988.

France's pledge helped delegates forget that French aid figures are artificially inflated because they include aid for French overseas territories. The French found much favour with Third World delegates and worked ceaselessly to persuade the British and West Germans to improve their share of aid.

Japan agreed in principle to double its aid, but that will hardly burden Tokyo, which dovates 0.045 per cent of its GNP to help the LDCs.

The Netherlands and the Scandinavian countries, which already devote well over 0.15 per cent of their GNP to such aid, agreed to increase it further. Others, whose past performance is more modest, such as Italy and Belgium also committed themselves to make a special effort.

The extra aid the LDC's can look forward to falls well short of the $7.7bn (£4.3bn) they had asked for. However, the conference also agreed to try to reduce tariff barriers

The relative success of this conference will only be judged when the changes in aid performance of the major donors become clear in a few years. Although the Tanzanian spokesman for the African group described the meeting as a "historic step," while the French believe a new start has been made in the North-South dialogue, the final agreement is indecisive.

As the conference drew to a close, a sigh of relief was audible from many (particularly western) delegates thankful that an open clash between rich and poor had been averted few weeks before the North South summit due in Cancun, Mexico, next month.

AID TO THE 31 POOREST COUNTRIES
(as % of GNP of donor country (1979)

Norway	.27
Sweden	.26
Netherlands	.22
Denmark	.21
Belgium	.12
UK	.11
Canada	.11
W. Germany	.09
Australia	[illegible]
France	[illegible]
Finland	[illegible]
Switzerland	.04
Japan	.04
New Zealand	.03
Austria	.02
Italy	.02
U.S.	.02
Opec	.22
Europe (1)	.001
China (2)	.03

(1) 1978 data
(2) Loans only
Source: Unctad.

EEC clamps down on Netherlands investment aids

BY GILES MERRITT IN BRUSSELS

THE DUTCH Government has been told by the European Commission that it should put an end to its investment aids scheme because it distorts competition between European Community countries for foreign investment projects.

As part of its crack-down on "beggar my neighbour" tactics aimed at outbidding other European countries and enticing investors through subsidies, the Commission has informed the Dutch authorities that they must not pay general investment aids promised to three multinationals — Tetrapak of Sweden, Shell, and the giant Dutch state mines, chemicals and raw materials group.

The Commission is also considering fresh pressure on the Belgian Government. It is expected to inform Belgium that subsidies offered to new investments by West Germany's BASF and by France's l'Air Liquide will be disallowed.

Brussels is also drawing up plans to prevent both France and Italy from bending the Community's rules to attract foreign investment.

Both Holland and Belgium have been at the centre of the Commission's drive against general investment aids. Over the past two years over a dozen powerful multinationals have, on Commission instructions, been refused promised state subsidies.

Brussels is now, however, turning its attention to the aid schemes at the root of the problem. The Dutch Government has been told that it should discontinue the part of its overall subsidies programme, which automatically awards up to 4 per cent of the cost of a project to an investor.

The Commission is also concerned about the comparable Belgian device which offers 10-12 per cent of capital investment costs back to a company.

Charles Batchelor adds from Amsterdam: The Dutch Government has no plans to modify its industrial aid policy despite the European Commission's ban on aids for Tetrapak, Shell and DSM.

The Commission has now formally notified the three concerns that special Dutch Government aid contravenes EEC rules. The Commission had earlier rejected aid applications for four other companies active in the Netherlands.

Problems have arisen over large project subsidies given by the Dutch Government for projects costing more than Fl 34.7m (£7.4m) of which at least Fl 9.3m is spent on buildings or fixed installations. Extra aid of Fl 28,900 per job created is given for any spending above this limit.

This subsidy is in addition to basic support which varies according to the type of investment and the area in which the project is located.

The EEC Commission approved these subsidies in principle when they were introduced in 1978 but reserved the right to assess individual projects to see that they did not contravene rules governing the distortion of competition, the Economic Ministry said.

Companies have so far reported 52 applications to the Commission since the subsidy was introduced. Thirty-four have been approved, seven have been rejected and a further 11 are under consideration.

Ministers seek formula to break insurance deadlock

BY OUR BRUSSELS CORRESPONDENT

THE EUROPEAN Community's Economic and Finance Ministers were still trying to agree last night on a formula which would break a negotiating deadlock on a draft directive creating a common market for non-life insurance services.

As expected, the sticking point proved to be the local requirements which an insurance company established in one member state will have to satisfy before it can sell insurance in another.

The British Government, which is extremely anxious to secure adoption of the directive by the end of the year, tabled a compromise as president of the Council of Ministers.

This tried to bridge a gap betwen its view, supported by the Netherlands, that local requirements should be minimal and the demands of other countries notably France, West Germany and Italy for a more extensive verification procedure.

Italy can extend import deposits

By John Wyles in Brussels

THE ITALIAN Government is to be allowed by the EEC to extend its controversial import deposit scheme. The deposits must be scaled down however, and Rome has to abandon the scheme at the end of next February.

Sr Nino Andreatta, the Italian Treasury Minister, did not immediately accept the formula hammered out at a meeting of Community Economic and Finance Ministers, but said that he would recommend its endorsement to his government colleagues tomorrow.

The conditional extension represented a compromise between the Italian desire to phase out the current four-month-old scheme by the end of next March and the anxiety of the European Commission and several member states to see an earlier end to it.

If accepted by the Italian Government, the EEC formula will eliminate the scheme by the end of next February. In the meantime, the 30 per cent deposit which has to be paid on imported goods would be reduced to 25 per cent on October 1, 20 per cent on January 1, and 15 per cent on February 1.

In addition, from October 1, all agricultural goods and non-ferous metals would join steel, oil and grain in being exempted from the deposits.

Italy needs EEC approval to operate the scheme under Treaty of Rome rules, and sought an extension on the grounds that sudden dismantlement would recreate the excess liquidity and run on the Lire which prompted its introductiox on June 1.

Sr Andreatta joined with several of his colleagues in criticising a Commission discussion paper arguing the need for much greater restrictions on wage indexation in several Community countries.

The paper succeeded in launching a debate yesterday which showed that all Ministers could see economic advantages in anrrowing the scope of indexation where it rapidly passes on the effects of prices and tax increaes,s but all were hesitant because of the political difficulties involved in making any changes.

As a result, it was agreed to hold further discussions and consultations with unions and employers.

Blow for Danish engineering

By Hilary Barnes in Copenhagen

PROFITS FROM engineering in Denmark last year fell "below subsistence level," the Engineering Industry Association reported yesterday.

Post-tax returns averaged only 2.8 per cent in 1980, compared with 8.3 per cent in 1979, the association said.

The deterioration was caused by interest costs. Net profits were cut by 58 per cent from 1979.

The association said that the industry's financial circumstances had led to a sharp reduction in employment, which in the first half of this year fell by about 13,000, or 9 per cent. A further fall was expected in the second half of this year.

Mr Sven Jakobsen, the Finance Minister, said that the Government was planning measures to give industry a boost this winter.

He said they included providing cheap capital from pension funds and life insurance companies and improved depreciation allowances. The Government is also considering the introduction of index-linked bonds to help the depressed housing and agricultural sectors to recover.

Mr Sven Jakobsen meanwhile denied that Denmark's balance of payments deficit will rise to DKr 30bn-40bn (up to £3bn) over the next few years. If there were signs that the deficit was rising, the Government would take action

The prediction that the deficit could rise to more than double its present level was made by Mr Erik Hoffmeyer, central bank governor.

The balance of payments deficit this year is expected to be about DKr 12bn-13bn compared with DKr 13.8bn in 1980.

THE POLISH CONFRONTATION

Fear of Soviet economic blockade

BY CHRISTOPHER BOBINSKI IN WARSAW

A LEADING adviser of Solidarity said yesterday that the Polish union must be prepared for a Soviet economic blockade.

The warning came from Mr Bronislaw Geremek, a historian who has played an important role in guiding the union over the past year as well as in talks with the Government. He was speaking the day after the party leadership issued a statement charging that the union had turned into an opposition movement and calling on society to disavow the union leadership.

"Anyone who ignores the possibility of outside intervention does little good to our cause," Mr Geremek said, "but I think the danger is less real at the moment than it has been at some points over the past year.

"But what will happen if the Soviets decide to employ economic aggression, when the oil and cotton stops coming and industry grinds to a halt?" Mr Geremek asked and added: "We must have a plan for that eventuality."

Mr Jack Kuron, another influential union adviser, also spoke at the meeting which was held at the Warsaw branch of the union and was devoted to discussing the union's future programme.

Over the past year Mr Kuron has frequently advocated radical policies while Mr Geremek has favoured a more moderate approach. However yesterday's debate showed that both saw the dangers of an all-out confrontation with the Government.

Mr Kuron spoke of the urgent need to maintain the unity of society. "If there was a civil war in the country, then the Soviets could intervene." Both pointed to the growing polarisation of society between those who wanted an all-out change of the system and those who are tired of the endless queues and apt to believe official propaganda blaming Solidarity for the country's rapid economic decline.

Mr Kuron noted that the majority of Solidarity activists seemed to be in the first category. But he urged that the union should stick to a minimum programme of workers' self-management in industry and free elections to local government. "Some people want free national elections but that is a step to open war and then I don't know if we would win," he said.

Any confrontation, Mr Kuron stressed, must be seen by society to be clearly the fault of the Government. Only then would Solidarity win overwhelming support.

Mr Geremek said that at the moment the authorities were attempting to split Solidarity from the rest of society. That could happen if the movement did not fulfil the people's radical aspirations for change. But it was more likely to happen if society failed to notice any positive actions on Solidarity's part.

He stressed that the union must act realistically. "The mood is changing from the realism of the last year to a romantic political fever," he said. Solidarity must continue to work for an institutionalised relationship between the Government and governed.

Jacek Kuron: aware of the dangers

Solidarity denies 'mad provocation' charge

Conflict between Solidarity and Poland's ruling Communist Party sharpened further this week with the party warning the union that its demands were leading the country towards bloodshed. Solidarity responded calmly yesterday, insisting it would not be provoked. Below we reproduce the main points of the party's challenge followed by the union reply. The Politburo's statement said:

Poland's political situation is developing in a dangerous direction. The state of economy is steadily dteriorating and the living conditions of people are becoming ever more difficult. . . .

We are providing possibilities for the constructive participation in the country's life for all the social forces standing on the ground of socialism.

Such possibilities have been also opened up for Solidarity, the new trade union. That is why its first congress aroused big interest and hopes in the numerous circles of society.

These hopes have been dashed. The course and the resolutions of the first part of the congress elevated the adventurist tendencies and phenomena which occurred within Solidarity, although they seemed to be only extremist trends, to the rank of the official programme of the entire organisation.

Thus the agreements concluded in Gdansk, Szczecin and Jastrzebie (which led to the formal recognition of the union) have been unilaterally broken.

They have been replaced by a programme of a political opposition which hits out at the vital interests of the Polish nation and the state and marks the direction towards confrontation threatening bloodshed.

Arrogant resolutions have been passed concerning the Sejm (Parliament) in matters which belongs to its exclusive prerogatives as the highest authority.

The message to the working people in the countries of Eastern Europe amounts to a mad provocation towards Poland's allies.

Our party, the authorities of People's Poland time and again have warned Solidarity against elements of destruction and anarchy which exist in its ranks and its activity.

This has come about because the line of building a new self-governed trade union according the the accepted agreements in Gdansk and Szczecin and the registered statute, in keeping with its own declarations made at the time, failed to win the upper hand at the Solidarity congress.

The winning line is one of building an opposition political organisation openly seeking to take over power and change the socio-political system in Poland.

For such a programme and such activity there is not and cannot be a place in Poland. the nation and independent The reining in of political madmen lies in the interest of Poland.

Solidarity's reply, issued yesterday said.:

The real reason for the conflict which has built up in recent weeks lies in the activities undertaken by our union in the face of progressive economic ruination.

This involves social control over production, resources and the distribution of essential goods and demands for a self-managing reform of the system.

This requires that enterprises have competent managers and that the administrative control of workplaces by industrial amalgams and Ministries be done away with. Both are impossible if the hitherto principles of filling directors' posts by administrative and party authorities are maintained.

Retention of these principles would turn the reform into fiction and bar the way to saving our country from ruin. The union cannot permit this. For the same reason we cannot give up our fight for genuine territorial self-Government.

The KKP's (Solidarity's national commission) stand on these issues was reaffirmed by binding resolutions of the first congress. In the dispute over the reform, the union has turned to the Sejm.

That was a legal move, in keeping with the constitutional order. This activity is entirely within the framework delimited by the Gdansk agreement and dictated by the most elementary interests of the working people.

OVERSEAS AND AMERICAN NEWS

Explosion wrecks PLO headquarters

BY OUR FOREIGN STAFF

AT LEAST 20 people died and over 70 were injured yesterday when a powerful bomb explosion wrecked the headquarters of the Palestine Liberation Organisation (PLO) in the southern Lebanese port of Sidon.

The PLO blamed Israel for the explosion which coincided with a blast at a cement factory in the northern town of Chekka in which 10 people died and a further 10 were injured.

Responsibility for both explosions was claimed by a little-known Right-wing group called the Front for the Liberation of Lebanon from Aliens.

The explosion in Sidon occurred only minutes before 40 guerrilla commanders were due to meet at the centre in a crowded side street not far from Sidon's main shopping area, PLO officials said.

The bomb, planted in a car parked just outside the six-storey command building, caused heavy damage to nearby blocks of flats. Several concrete balconies and staircases collapsed.

Syria's Defence Minister opened talks in Moscow yesterday seeking a closer military relationship with the Soviet Union to offset the growing U.S. military relationship with Israel and Egypt, AP reports from Moscow. Maj Gen Mustafa Tlass, who is first deputy commander of the Syrian armed forces, met the Soviet Defence Minister, Dmitri Ustinov.

The PLO warned the population to be alert for a possible repetition of the bombing and said the blast resulted from a booby-trapped car that was rigged with 300 kilograms of explosives.

The Front for the Liberation of Lebanon from Aliens has claimed responsibility for several bombings and bombing attempts against PLO and leftist targets in mostly Moslem west Beirut in the past 14 months. Its declared aim is to drive Palestinians and Syrian peacekeeping forces from Lebanon.

Chekka is controlled by the Syrians. It falls within the area controlled by supporters of former Christian President Suleiman Franjieh, a staunch advocate of Syria's military presence in Lebanon and an arch foe of the Phalange Party, the nation's biggest rightist Christian grouping.

Eyewitnesses said the main military operations room for Palestinian and Left-wing forces in the south was hit. The room housing the centre's telephone exchange was destroyed, along with the financial and accounting office.

The command occupies three storeys in the building and two floors in another building across the road. Both were heavily damaged.

Guerrilla officials said Haj Ismail, the Palestinian commander of the joint forces in the South, bordering Israel, was not at the centre when the explosion occurred.

AP reports from Riyadh: Prince Sultan Bin Abdel-aziz, Saudi Arabian Defence Minister, voiced hopes yesterday that the U.S. will honour the arms deal with the Kingdom.

Addressing officers and cadets after a graduation ceremony at King Faisal Air Academy, the Prince said: "We have asked (the U.S. for arms), and if we don't get what we ask for, then we will seek them elsewhere.

"I am convinced the U.S. is serious about supplying the Kingdom with all its requirements of Awacs aircraft and accessory equipment for the F-15s," he added.

Asked to comment on the future of Saudi-U.S. relations if the deal stumbled over Congress rejection, the Prince said that Saudi relations with other countries "do not depend on one deal."

Mr Haig: sophisticated strategy

Haig defends aircraft dea[l]

BY OUR WASHINGTON CORRESPONDENT

MR ALEXANDER HAIG, the U.S. Secretary of State, yesterday warned Congress that defeat on Capitol Hill of the proposed $8.5bn (£4.7bn) Awacs radar and arms deal with Saudi Arabia would seriously rock U.S.-Saudi relations and jeopardise overall U.S. strategy in the Middle East.

Mr Haig gave the Senate Foreign Relations Committee a fullsome view of Saudi Arabia's importance not only as an oil supplier, but also an "essential partner" in U.S. regional interests: providing aid to Sudan and Pakistan, playing a key role in the ceasefire in Lebanon and taking the lead in the newly formed Gulf Co-operation Council.

The Administration was well aware of Israel's concern about the sale of the five Awacs radar aircraft, plus extra equipment for the Saudi's F-15 jet fighters, Mr Haig said, and it would be "taking steps to alleviate these concerns."

In general terms, the U.S. would make sure Israel kept its "qualitative edge" over its regional opponents.

Mr Haig's appearance was the formal launch of the Reagan Administration's campaign to get Congress to approve the controversial sale—though President Reagan has already started lobbying "undecided" Senators for their votes.

The key factor will be what restrictions the U.S. can retain on the use of the Awacs after the aircraft have been sold to the Saudis.

The Administration is expected to announce some such restrictions sometime after October 1 when Congress will be officially notified of the Saudi sale.

The legislature will have 30 days from that date in which it can block the deal by a majority in both Houses.

The Administration has more or less conceded defeat already in the House of Representatives, but hopes to scrape a victory in the Senate.

Mr Haig said the U.S. w[as] pursuing a sophisticated st[ra]tegy in the Middle East awa[re] of the political and milita[ry] limitations on the contributio[n] its various friends would ma[ke] to regional security.

"We are not seeking to co[n]struct formal alliances or a ma[s]sive structure of U.S. bases" he said in words very remini[s]cent of the Carter Administra[]tion.

Mr Haig clearly sought to di[s]pel the criticism that the Reaga[n] Administration ignores Ara[b] concerns about Israel in th[e] quest for a common fron[t] against Soviet encroachment [in] the region.

He acknowledged tha[t] Arab-Israeli dispute "divide[s] some of our closest friends."

But "if our friends are mor[e] secure, they will be able to ta[ke] risks for peace," Mr Haig wen[t] on, justifying the Administra[]tion's emphasis on the mili[]tary aspect of security over th[e] political.

Awacs proposal shows Washington is no pushover for Begin

BY DAVID BUCHAN IN WASHINGTON

THE Reagan Administration's policy on the Middle East is now clearer in the wake of its recent round of talks with Arab, Egyptian and Israeli leaders.

While the Administration struggles to push the proposed $8.5bn (£4.7bn) sale of Awacs aircraft and extra F-15 jet equipment to Saudi Arabia through Congress, the main plans of U.S. policy appear to be let the protagonists make any running in settling their political disputes—such as Palestinian autonomy and the Lebannon—but provide military reinsurance to friendly Arab and Jew alike against the Soviet Union.

This includes using the Rapid Deployment Force (RDF) as an umbrella, Awacs cover for the Saudis, and "strategic co-operation" with Israel.

The last few days have put this emphasis of matters military over political into much sharper focus. The proposed Awacs sale figured high in last week's White House talks between President Reagan and Mr Menahem Begin, Israel's Prime Minister. Mr Reagan persuaded Mr Begin to stop short of calling for an outright Congressional veto of the sale, and then set immediately to work on lobbying Senators considered "undecided" on Awacs.

Mr Alexander Haig, the U.S. Secretary of State, took time off from pressing preparations for European nuclear arms talks to do a little shuttle diplomacy on Awacs' part—first seeing Prince Fahd of Saudi Arabia in Spain and then dashing back for a final palaver with Mr Begin on Awacs. Mr Begin has since refused to comment on Israeli Press reports that Mr Haig urged him to moderat his criticisms of the Awacs deal, but promised to provide details of the talks when the Knesset, the Israeli Parliament, debates the issue next Monday.

The Reagan Administration's galvanic activity on arms contrasts with its inertia on the quest for Palestinian autonomy, an issue scarcely raised in the Reagan-Begin talks. Resumption of the autonomy talks next week in Cairo was at the initiative of Mr Anwar Sadat, the Egyptian President and Mr Begin. Participation by the U.S. at least in the first round, will be limited to its Cairo and Tel Aviv envoys.

Mr. Reagan may yet appoint a direct successor to Messrs Sol Linowtiz and Robert Strauss, the Carter Administration's Middle East. But the current betting is that he will not, leaving it instead to the State Department in the ostensible interest of better coordination.

Mr Reagan . . . offering military reinsurance to friendly Arab and Jew alike against the Soviet Union

The Awacs sale enables Mr Reagan to show moderate Araba that he is not a pushover for the Israelis, as indeed he showed when he temporarily cut of delivery of F-15s and F-18s after Israel's bombing raids on Baghdad and Beirut.

For his part, Mr. Begin may privately believe the sale would at least reduce pressure for concessions on the Palestinian issue. In any case, he has now got his "strategic co-operation." Mr Begin insisted this was not an offset for Awacs in military terms, but it is a form of political compensation.

It is precisely at this point that U.S. policies start cutting across each other. The RDF can use Arab or Israeli help, but almost certainly not both—and it is basically designed to defend Arab oil fields from encroaching Soviets.

"What is important (for moderate Arabs) is what we are doing for them—not what we are doing for Israel," according to a White House official. But reactions from Riyadh and other Arab capitals indicate that even moderate Arabs make no such distinction. Washington's basic problem is that it can provide for its friends in the Middle East against the Soviet Union, but not ultimately against each other.

There is a strong impression that the U.S. has been ever so slightly "conned" into forming unprecedented security ties with Israel. Mr Haig himself admitted that Israel was a lot keener on the idea than the U.S. Washington has agreed to discuss joint planning and intelligence, joint exercises, and some stockpiling and repairs of U.S. equipment in Israel, although Mr Haig suggested that just U.S. medical supplies might be held in Israel.

But Israel had, and maybe still has, more ambitious ideas of collaboration, although it might pause for thought over joint planning if that gave the U.S. a veto on certain Israeli operations.

Israeli officials took their U.S. counterparts aback by citing a Rand Corporation theoretical study, prepared for the U.S. Defence Department, on the benefits of U.S.-Israeli co-operation. According to one report here, the Israelis suggested that the U.S. buy back M-60 tanks which it gave Israel in aid, but keep them stockpiled in Israel repainted in U.S. army colours.

Mr Begin has in fact been touting closer ties ever since the deposition of the Shah in Iran, or in the words of a former Carter aide "trying to piggy-back on U.S. concerns about the Gulf into a strategic relationship with the U.S." The Carter Administration would not bite—its successor now has.

Mr Begin may well be trying also to drive a wedge between Washington and Riyadh. The Reagan Administration's two "special relationships" with Israel and Saudi Arabia, if not mutually exclusive, are in some vital respects—Palestinian autonomy and the Lebanon—contradictory.

The key reaction will come from Egypt and Saudi Arabia. It can be argued that some of Mr Sadat's present problems come from an "overselling" of Camp David and his public's perception of too many concessions t[o] Israel for too little in return. It is also argued, by U.S. critics of the Reagan policy, that Mr Sadat's task in the autonomy talks is now harder and that the U.S. should never have traded away so big a bargaining counter as a tighter security link with Israel in advance of any real progress in self-rule for Palestinians on the West Ban[k] and Gaza.

The Awacs sale is at present the Saudis' litmus test of Washington's intentions. But even i[f] it goes through, the Saudis are likely to refocus soon on the Palestinian issue. If Congress votes the Awacs sale down, their change of heart will be the quicker.

Reagan aides believe the Saudis and some of the other moderate Arabs, now see the world in a "Reagan perspective," and will thus behave "responsibly" in the region. They point to the very active role Saudi Arabia is now playing, along with Kuwait and Syria in trying to put Lebanon back together again. But the Reagan perspective assumes Moscow is the biggest danger around, and few Arabs ar[e] absolutely persuaded of that.

'Peace offer' to Taiwan repeated

A CHINESE Communist newspaper in Hong Kong yesterday offered Taiwan another unification overture but warned it not to expect China to relinquish Communism, AP reports. That would be "tantamount to asking the Chinese Communists to surrender to the Nationalist Kuomintang Party."

The Chinese-language Wen Wei Po said in an editorial: "The Chinese Communists do not demand that Taiwan adopt socialism. Their only hope is for Taiwan to sincerely carry out Dr Sun Yat-Sen's three principles of the people."

Sun, who overthrew China's last emperor in 1911, advocated natiomalism, democracy and people's livelihood as the Chinese Government's guiding principles.

It also called for co-operation between Peking and Taipei. "Under this kind of co-operation, representatives from Taiwan will be allowed to come to Peking to participate in politics, while those from Peking will not proceed to Taiwan to interfere."

Union members bailed

A total of 181 trade union members have been released on Rands 50 (£29) bail following their arrest last week after returning from a union meeting, the Rand Daily Mail said, AP reports from East London, South Africa.

Seoul fund talks

South Korean companies are talking to two London-based banks to sell Korea's first overseas mutual funds, AP DJ reports from Seoul.

Japan revises output

Japan's July industrial production index (base 1975) was revised upwards to 147.6 seasonally adjusted from 146.9, the International Trade and Industry Ministry said, Reuter reports from Tokyo.

Oil stock rise sought

Japanese Finance Ministry approval is being sought to increase the government stockpile of crude oil to 72.83m barrels from 53.97m, the *Ministry of International* Trade and Industry said, Reuter reports from Tokyo.

Dayan move 'threat'

MOVES TO restore Mr Moshe Dayan, Israel's former Foreign Minister, to the leadership of the Labour alignment threaten to split the opposition, the alignment said, Reuter reports from Jerusalem.

Egyptians to replace Soviet dam turbine with U.S. finance

BY ANTHONY McDERMOTT IN CAIRO

THE U.S. GOVERNMENT is to finance the replacement of 12 Soviet made turbines for the Aswan High Dam, the Soviet Union's prestige project in Egypt in the 1960s.

The decision was taken at this week's Cabinet meeting which resulted in the expulsion of seven Soviet diplomats including the ambassador, two Soviet journalists and the ending of the contracts of more than 1,000 Soviet specialists.

The cost of the turbines will be $50m (£27m) and will be supplied as a grant by the U.S. Agency for International Development (Usaid) above the annual aid programme, which is about $1.1bn this year.

In 1979 the Ministry of Electricity approached Usaid to see whether the turbine blades might be rehabilitated or replaced. A French company tried but its attempt was inadequate.

The U.S. company Allis Chalmers, front-runners for winning the new contract, was approached towards the end of that year and asked to advise on the French work. It concluded that even with repairs one turbine might go out of action at any time, and not necessarily because of metal fatigue.

The U.S. Government was approached this summer and the deal, which has wide political as well as economic ramifications, was concluded during President Sadat's visit to Washington.

The high dam has 12 turbines with two on standby. The dam provides a high proportion of Egypt's electrical power, so its dependable service is crucial.

The Egyptian Government will submit the offer to international tender, but the outcome is likely to be a formality. Dr Abdel-Razzaq Abdel-Mequid, the Deputy Prime Minister with overall responsibility for the economy, feels that to prepare specifications from scratch would take too long. He said in an interview: "If the U.S. comes up with free financing, obviously they (Allis Chalmers) will get it."

Allis Chalmers has produced specifications which were checked by the U.S. Government last month. If the findings are approved, Allis Chalmers will get the contract.

It is expected to be awarded within the next six weeks, and the replacement of the turbines could take 28 months.

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Zimbabwe bank rate up in anti-inflation effort

BY OUR SALISBURY CORRESPONDENT

ZIMBABWE yesterday increased the bank rate by three percentage points to 9 per cent and pushed up the prime overdraft rate to 13 per cent from 9 per cent in an effort to curb consumption, slow inflation and bolster a deteriorating balance of payments position.

This was the second increase in bank rate this year after a 19 year period during which bank rate was held unchanged at 4.5 per cent. It was raised to 6 per cent in February when the prime overdraft rate of the commercial banks was increased from 7.5 per cent to 9 per cent.

Announcing the bank rate increase in parliament, the Finance Minister, Senator Enos Nkala, who only six weeks ago ruled out any increase in rates, also revealed that foreign currency allocations for commerce and industry had been cut by 10 per cent.

The credit restraint package follows a tough budget on July 31 in which Government increased taxes by 42 per cent. At the same time, government spending was estimated to rise 37 per cent in the current year increasing the budget deficit as a ratio of gross national product from 9 per cent to 10.7 per cent.

The government's efforts to *borrow in the domestic market* this year have not been very successful because of the reluctance of private sector investors to commit funds at what they considered to be unrealistically low rates of return.

The official forecast for inflation this year is 15 per cent but the signs are that this is on the low side and inflation is likely to be approximately 17 to 18 per cent.

Brazil unveils poll reforms

By Andrew Whitley in Rio de Janeiro

THE Brazilian Government has formally unveiled the first batch of a series of proposed electoral reforms intended to liberalise the country's political system.

After months of preliminary discussion with the main political parties, as well as last-minute alterations, details of the first three areas of reform was submitted to the Congress on Wednesday for its approval.

The proposals cover a reduction in the residence requirements for candidates for public office; the enfranchisement of persons previously barred from voting; and additions to the peculiarly Brazilian system of allowing parties to run up to three candidates simultaneously in most elections.

None of these areas of reform is particularly controversial and the Government's proposals have been broadly welcomed

Once passed into law, the reforms will govern next year's elections to the national congress, state legislatures and governorships. These are due to be held in November, but may be split into two groups with the second set being held later.

Among the changes still to come are a new definition of the rules governing electoral publicity, and, most important of all, an announcement of the system whereby the President is elected.

At the moment, the President is elected by an electoral college made up of state representatives *and the congress with* the final word on its composition being in the hands of the Supreme Military Tribunal.

What the military in Brazil undoubtedly fear is that the opposition parties will win an overwhelming majority of the states next year

Social security payments face cuts

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PRESIDENT RONALD REAGAN has entered the politically sensitive area of social security payments in his search for fresh budget cuts to curb the 1982 deficit.

A three-month delay in indexed *cost-of-living increases* for social security recipients is part of a proposed $16.3bn (£8.8bn) package of 1982 spending cuts that would include closing the departments of energy and education, and trimming 75,000 jobs off the *federal payroll*.

The package, on which President Reagan is due to announce a decision next week, went to a meeting of the Cabinet yesterday. The White House said it had already won the approval of key Republican leaders in Congress.

Mr Reagan's aides repeated yesterday that he was not prepared to propose defence cuts beyond the $2bn he has put forward for 1982, which is included in the $16bn. They again indicated he would not oppose a larger slice if Congress insisted.

The social security proposal caused surprise among those Washingtonians who thought *they had heard Mr Reagan give* an undertaking—as recently as Tuesday—that social security would not be tampered with.

In fact, the fine print of the White House's Tuesday statement said Mr Reagan had no plans to propose "additional cuts in social security programmes beyond those he has already submitted to Congress."

The proposal to defer cost-of-living increases was sent to Congress earlier in the year, but dropped out of sight after a chilly reception.

That technicality is unlikely to save the Administration from renewed allegations that it favours the rich at the expense of the poor—one of the few areas in which Mr Reagan is politically vulnerable.

The three-month delay would apply to all federal benefit programmes including Government and military pensions, food stamps, black lung compensation *payments, as well as* social security.

The early closure of the departments of education and energy, both of which are associated in Republican minds with former President Jimmy Carter, would conform with promises made by Mr Reagan in his election campaign. Responsibility for education and energy would be transferred to other Government agencies.

White House officials said the axing of 75,000 federal jobs, through a combination of natural wastage and dismissals, could save $300m in 1982 and $3.3bn over three years. It would reduce the federal payroll by 6.5 per cent.

As a Congressional battle loomed over the cuts, which would follow record cuts of $36bn only a month and half ago, the Democrats took steps to protect their flank in the House of Representatives from new defections to Mr Reagan.

The "boll weavils"—the Southern Right-wing Democrats who crossed the floor to support Mr Reagan's initial tax and spending cuts—were told bygones would be bygones but they were warned that their future voting records would be scrutinised and defections on key votes could cost them sought-after committee and leadership posts.

Many Democrats are quite pleased that Mr Reagan managed to get his economic programme through Congress just before the summer break believing as they do now that the whole policy is in danger of backfiring.

Reagan tackles disputes with neighbours

By Our Washington Correspondent

THE U.S.-CANADIAN dispute over energy investment policy and Mexico's difference with Washington over U.S. policy towards Central America, and El Salvador in particular, were expected to be discussed in President Ronald Reagan's talks with Mr Pierre Tradeau, Prime Minister of Canada, and President Jose Lopez-Portillo last night and this morning.

White House officials said Mr Reagan would address the energy and El Salvador issues in bilateral meetings with the Canadian and Mexican leaders, and that, today, all three would discuss regional issues.

Du Pont heads off new bid to unionise plants

BY DAVID LASCELLES IN NEW YORK

DU PONT, the U.S.' largest chemical company, appears to have headed off, at least for the time being, the latest attempt by the United Steel Workers to unionise many of its plants.

The USW has been trying for a decade to organise the major part of Du Pont's 67,000 workforce, which is at present only partially unionised.

At the *beginning of* this week, the USW went before the National Labor Relations Board in Washington to petition for elections at 16 Du Pont plants around the country.

The USW had recently changed its strategy from a blanket approach to a selective one aimed at plants where it believed it had the best chance of gaining acceptance.

Some of the plants also produce basic products which, the union calculates, would give it greater leverage over the company as a whole.

Du Pont objected to the hearing on procedural grounds because many of the plants concerned lie in regions not covered by the board in Washington.

Du Pont said it would be willing to petition for elections before the various boards where the plants are located, provided that the local boards had determined there was a sufficient show of labour interest.

Brezhnev seeks 'constructive missile talks'

By Our Foreign Staff

THE SOVIET PRESIDENT, Mr Leonid Brezhnev, told Mr Michael Foot, the British Labour Party leader, that the Soviet Union hoped for constructive talks with the U.S. on limiting medium-range missiles in Europe.

The talks should be conducted on the basis of the principle of equality and equal security, he added.

During a 30-minute session in the Kremlin, the Soviet leader emphasised the Soviet willingness to make a reduction in the number of SS-20 missiles stationed in the western part of the Soviet Union.

But this depended on the Americans assuming "a reasonable stand" and a Nato decision not to deploy U.S. Pershing 2 and Cruise missiles in Western Europe.

While the Soviet leader underlined Soviet satisfaction with the unilateral disarmament policies of the main British opposition party by his personal meeting in the Kremlin the Soviet Foreign Minister, Mr Andrei Gromyko left Moscow for the forthcoming UN General Assembly meeting.

Next week he is scheduled to meet Mr Alexander Haig, the U.S. Secretary of State to discuss a timetable for U.S.-Soviet arms control negotiations. These are expected to centre on medium range nuclear missiles.

U.S. puts pressure on Guatemala

BY HUGH O'SHAUGHNESSY IN BELIZE CITY

WASHINGTON IS exerting strong pressure on Guatemala to ensure that the military régime of Gen Romeo Lucas does nothing to disrupt the imminent independence celebrations of Belize, Britain's last colony on the South American mainland, which achieves statehood on Monday.

According to senior U.S. Administration officials, the Lucas régime is being denied much-needed spare parts for its military helicopters until it is clear that Guatemala will not cause trouble for the newly independent Belize.

Citing documents from Spanish colonial times, Guatemala claims sovereignty over this Central American territory, and last week expelled British diplomats from Guatemala City because of the forthcoming Belizian independence.

Washington is extremely concerned at the rapidly increasing guerrilla activity in Guatemala, and the threat the Left poses to the Lucas régime. The Reagan Administration may well renew arms supplies to Gen Lucas

The U.S. efforts to help the Guatemalan military to improve their controversial international image have been rebuffed, as have strong U.S. suggestions that the next Guatemalan President should be a civilian.

The opposition United Democratic Party, which earlier this year loudly opposed the decision of Premier George Price to take Belize into independence this year, has toned down its criticism of the Government.

Mr George Price

Gatt issues veiled warning on international trading rules

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR

THE GUARDIAN of the liberal trading system has given a scantily disguised warning to the U.S., EEC and Japan not to stray outside internationally agreed trading rules when they seek to co-ordinate their trading policy.

In a clear reference to next month's planned trade talks between the three major trading powers, the General Agreement on Tariffs and Trade (Gatt) today says, "Attempts to agree on appropriate policies in the absence of rules invite the use of power."

It is doubtful, Gatt suggests in its annual study of international trade*, that such policy agreements "as the few large countries could attain among themselves would be acceptable to all the other participants in world trade."

The policies of the large trading countries cannot provide a substitute for an international system and a system based on rules cannot be effective unless the few large trading countries support it by their national policies, Gatt says.

The three major trading powers will meet to ease the friction which has built up over Japan's mounting trade surplus combined with U.S. and EEC pressure on Japan to restrain exports of steel, cars and electronic products. But the way the three have so far sought to resolve their differences has not always been within the letter of Gatt rules.

The Gatt secretariat, monitoring world trade and administering the trading disciplines enshrined in the agreement, this year uses its annual study to urge:

- the containing of inflation through a mix of strict monetary policy, domestic changes to promote more efficient use of resources like the removal of unnecessary regulations, and the reduction of Government deficits;
- the arrest of protectionism by subordinating the interests of domestic pressure groups to international commitments.

Gatt links anti-inflation policy and protectionism by suggesting that when protection against imports is given to a special interest group, thus exempting the interest group from price restraint, it becomes more difficult to maintain the credibility of anti-inflation policies.

Granting that, generally, governments continues to resist protectionist pressures, Gatt says that, sometimes, they give ground. "The trend is on the whole in one direction and clearly unsustainable for long." The rules of Gatt influence policy conduct but "infractions and circumventions of them have tended to multiply."

The gathering strength of protectionism has taken place against the background of a slowing in world trade. The volume of world trade started to decline after the 1980 first quarter, Gatt rates. By the end of the year volume of trade had increased 1.5 per cent over 1980, but this is set against a gain of 6 per cent in 1979.

Exports of crude petroleum fell by 12 per cent in 1980. If they are excluded, world trade increased in volume by 3 per cent last year. Trade in manufacture rose by 3.5 per cent against 5.5 per cent in 1979, while agriculture slowed to a 1 per cent gain in 1980 from a 7 per cent gain in 1979.

* *International Trade 1980-81, Gatt Secretariat, Geneva; SwFr 30.*

Last-ditch bid to soften MFA

BY OUR WORLD TRADE STAFF

CONSUMERS in the European Community Group (CECG) have made a last-minute attempt to soften EEC policy in the negotiations for a new Multi-fibre Arrangement. It has called for more liberal textile imports from developing countries.

Further negotiating sessions on a new MFA to control world textile trading take place in Geneva next week, after which CECG is to hold talks with the Department of Trade. The final EEC position in the talks has not yet been settled.

For the immediate future, CECG told Mr John Biffen, the Trade Secretary, in a letter published today, it wants the new MFA limited to five years' duration as a maximum, the abolition of bilateral agreements, which within the MFA framework tightly control imports, and the gradual phasing out of the agreement as a whole.

CECG also wants independent monitoring of the MFA to establish whether it does save jobs and to establish how far it raises prices and reduces choice for the consumer.

These demands are at variance with the positions of EEC governments, especially in France and the UK. The general EEC position is that a new MFA should control textile imports from the developing world just as tightly as the MFA soon to expire.

- The Scottish Development Agency yesterday anounced a £450,000 campaign to promote Scottish cloth in France, West Germany, Italy, the U.S., Canada, Japan and Hong Kong. For every £1 a company spends on promotion the agency will provide another 80p. It is thought sales could be raised by 50 per cent.

More Soviet gas for Austria

MOSCOW — The Soviet Union agreed to increase supplies of natural gas to Austria during talks here between their Trade Ministers, Tass News Agency reported.

The report gave no details of the increase, which had been sought by Vienna since the two states signed a 10-year economic co-operation agreement last January.

Moscow supplies about 23 per cent of Austria's fuel needs, selling it around 1.7m tonnes of oil and 2.9bn cu m of natural gas per year.

In return for the energy deliveries, the Soviet Union would import Austrian equipment for its metalworking and agricultural machinery industries.

The two states would also consider proposals to establish joint quartzite and chromide ore concentration mills in the Soviet Union, Tass added—Reuter

UK backing for robots may follow Tokyo visit

By Hazel Duffy in Tokyo

BRITISH industry's caution towards the use of robots could find itself the target of a big Government-inspired push as the result of the presence in Japan this week of a team of Government officials.

The team, led by Mr Gordon Manzie, senior civil servant at the Department of Industry, has been backing up the visit of Sir Keith Joseph, who is in Tokyo for talks with Mr Rokusuke Tanaka, at the Ministry of International Trade and Industry, on Anglo-Japanese co-operation in a number of high technology sectors.

The civil servants are likely to urge Mr Patrick Jenkin, the new Industry Secretary, to authorise urgent Government action, hoping he will be more receptive than Sir Keith has been in the past.

The team of officials has been impressed by Japanese plans for the development of robots and other advanced manufacturing systems, and concludes that some form of Government motivation will be necessary if Britain is to get a starting-place in the race.

It is hoped that some technical help might be gained from those Japanese companies, such as Fanuc and Hitachi, which have impressive robot-manufacturing programmes, and that the private sector of British industry will participate in a showpiece factory demonstrating the flexibility of the new generation of robots.

The visit of Sir Keith on an industrial mission only three days after the Cabinet reshuffle switched him to the Department of Education and Science, may have slowed down the pace at which it had been hoped that Anglo-Japanese co-operative agreements might have proceeded.

A joint communique, paving the way towards bilateral co-operation in telecommunications, however, was signed yesterday between Sir Keith and Mr Ichiro Yamanouchi, the Japanese Minister of Posts and Telecommunications.

Sir Keith made it clear in a speech in Tokyo yesterday that the British Government is concerned at the lack of ready access for British industrial as well as consumer goods in the Japanese market.

NOMURA SECURITIES IDEA FOR CHINA VENTURE

Tokyo plan to recycle Arab oil funds

BY RICHARD C. HANSON IN TOKYO

NOMURA Securities, Japan's largest securities house, is working on a plan to "recycle" Arab oil money into Japanese investment projects to establish joint venture light industries in China.

The idea is to combine petrodollars with Japanese technology and Chinese resources and labour. Nomura, and its think-tank subsidiary, would provide the financing expertise and carry out studies on the feasibility of the joint ventures.

Two delegations of Japanese businessmen have already visited China to lay the groundwork. The industries being considered include plywood, textiles and light machinery, such as sewing machines.

Under the outline of the plan, Japan would import the goods produced in China.

The amount of money involved in such joint ventures would be far less than that required for major heavy industrial projects, which have run into serious problems in China. Nomura believes that light industries would have a better chance of success. There are still, however, many questions remaining on how the joint ventures will actually work in China.

Nomura would like to apply the idea of project financing involving Arab, and other international funds, and Japanese technology and companies, elsewhere in Southeast Asia and the Pacific basin.

Arab investors have already shown considerable interest in expanding their involvement in South-east Asia, especially involving resources development and real estate.

Nomura says that there is some apprehension on the part of more conservative Arab states over the idea of investing in a Communist country. Others, however, are "clearly interested" in China.

Turkish debts deadline move

BY METIN MUNIR IN ANKARA

THE DEADLINE given by Turkey to its trade creditors for choosing between repayment in Turkish lira or foreign currency is unlikely to be extended beyond October 31 according to bankers.

The ruling National Security Council under General Kenan Evren, the Head of the State and Chief of Staff, has turned down a decree proposed by the Government that the deadline be extended for a further 12 months.

The council rejected the decree because a large number of Turkish companies, including banks and manufacturing companies, started buying the debt (the so-called non-guaranteed trade arreas) from the foreign suppliers. The generals apparently feel that this is bad for Turkey's reputation.

When Mr Turcut Ozal, Deputy Prime Minister and economic planner, returns to the capital later on this week from Bulgaria, where he is on an official visit, he is expected to try to convince the military rulers to change their minds.

The extension of the deadline recommended by the Central Bank, was intended at enabling suppliers to liquidate the debt by switching from the foreign currency option to the Turkish lira option.

The non-guaranteed trade arrears claims total \$1.3bn, and represent Turkish State debts to suppliers abroad. The Government confronted these suppliers with two options: repayment over 10 years in foreign currency or in Turkish lira upon demand.

This second option enabled supliers to sell their claims to Turkish companies at between 32 per cent and 36 per cent of their face value (including 2 per cent broker's commission) and to cut their losses.

The sum of trade claims thus liquidated total some \$500m. The trade in foreign suppliers' arrears claims had become livelier in the recent months as more and more people awoke to the possibilities it offered.

The authorities tolerated the purchase of the trade arrears by Turkish companies — transaction not strictly legal — because it contributed to the liquidation of the debt.

Allis-Chalmers wins Parana dam contract

THE JOINT Argentine-Paraguay enterprise building a dam on the Parana River dividing the two countries has said that a tender by Allis-Chalmers Corporation of the U.S. to supply 20 turbines was the most favourable put forward.

Allis-Chalmers offered to construct, supply and put the 20 turbines in service for \$172m (£95m), a statement from the joint Argentine-Paraguay Yacyreta Enterprise said.

Yacyreta awarded an order for the supply of 10 generators to an international consortium formed by Siemens AG of West Germany, Energomach-export of the Soviet Union, and GIE of Italy, to cost \$51m.

The other 10 generators will be supplied by a consortium formed by Mitsubishi Electric, Hitachi, Toshiba and Fuji Corporation at a cost of \$46m, the statement added.

Paraguay has also proposed building an aluminium refinery in a joint venture with Japan, the Japan Aluminium Federation said.

The Paraguayan Government and industrial organisations had asked them to send a survey team to conduct a feasibility study on the proposed project, the federation added.

The Japanese had been told that the projected refinery, with a 150,000-tonne annual capacity of primary aluminium, can use low-cost electric power from the Itaipu hydro-power station now being built jointly by the Brazilian and Paraguayan Governments, but will require supply of alumina for aluminium production.

Agencies

Air Jamaica to buy Airbuses

BY CANUTE JAMES IN KINGSTON

AIR JAMAICA is buying two European Airbus A-300s. The aircraft are to be delivered next October, and will be used on the airline's most profitable routes, from Kingston to Miami, and Kingston to New York.

This is the first expansion by the airline since it reduced its fleet of Boeing 727s and ageing DC 8s from 11 to six earlier this year. The airline also cut all its European and some North American routes to reduce losses which were \$20m last year and which were projected at \$30m this year.

Air Jamaica is owned by the Jamaican Government (74 per cent) and Air Canada (26 per cent) and survives mainly because of the Jamaican tourist industry. It is the largest passenger carrier between Jamaica and the U.S.

- China Airlines of Taiwan has signed an agreement with the U.S. Export-Import Bank and Lloyds Bank International for a combined loan of \$72.1m to finance purchase of two Boeing 767 jets.

Of the combined loan, guaranteed by Taiwan's Finance Ministry, the Eximbank will provide \$48.01m, while the balance will come from Lloyds. The loan has a life of 10 years under the agreement.

The Eximbank will charge a fixed interest rate of 8.5 per cent plus a commitment fee of 0.5 per cent, while Lloyds will charge an interest rate of 0.25 percentage points above London Interbank offered rate plus a commitment fee of 0.12 per cent.

A China Airlines spokesman said the airline will take delivery of one of the two aircraft in 1982 and the other in 1983.

S. Korea 'needs European help'

BY OUR BRUSSELS CORRESPONDENT

SOUTH KOREA wants greater European participation in its industrial development in order to diversify the country's traditional links with the U.S. and particularly with Japan.

Until now, South Korea has relied mainly on Japan for the supply of capital equipment, participants at the Financial Times-sponsored Euro-Korean symposium said yesterday.

Between 1962 and 1979, the U.S. and Japan contributed the lion's share of foreign investment in South Korea. Out of the \$1bn invested in that period, Japan's share was \$613m while \$209m came from the U.S.

European companies have been slow to invest in South Korea, although Korean construction companies operating in the Middle East and Africa import almost 95 per cent of their equipment from Europe. Companies, such as Hyundai, employ European and U.S. technicians abroad.

There are five main advantages for investing in South Korea, Mr Duk-Choong Kim, the President of the Daewoo Industrial Company, told the symposium. South Korea has a well-educated, skilled labour force, a new generation of young entrepreneurs is emerging with experience and knowledge of Western business, the Government has inducement policies for setting up businesses, and South Korean concerns aim to internationalise their trading relations in the 1980s.

South Korea offers a variety of incentives for foreign investment, including a five-year tax holiday, tax reductions, and favourable loan terms for selected investors, he said. Capital goods and raw materials can be imported duty free.

There are two free export zones—Masan and Iri—six export industrial estates, and one electronic industrial estate. South Korea was anxious for a European technology transfer, Mr Kim said, but he warned that the requirements of the country's market had to be taken into account. The technology would have to be adapted to South Korea's needs if necessary, he said. He added that imports of obsolete or old technology would not be favoured.

The country's desire to open up its markets to "fair competition" was stressed by the chairman of South Korea's Hyundai Group, Mr Ju-Yung Chung. The Hyundai Group—whose interests include shipbuilding, heavy engineering, chemicals and construction—had a \$6bn turnover in 1980.

He said the Government was promoting a "private-led economic system," and is trying to end the administration's unnecessary control, regulating and interference.

Hyundai's interests also extend to the car industry. In the early 1970s, the group decided to switch from automobile assembly for domestic consumption to vehicle manufacture. This expanded opportunities for export—Hyundai's Pony model has already been marketed successfully in Benelux.

But the industry's export potential is still at an early stage, Mr George H. Turnbull, chairman and managing director of the UK's Talbot Company, told the symposium. Mr Turnbull, who was closely involved with Hyundai's decision to create a national car industry, said there were great opportunities for European companies in this sector, particularly in the field of components design and manufacture.

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He urged the symposium not to regard South Korea's car export potential in the same light as Japan's present position on the EEC market. "Those responsible for the Korean car industry are far-sighted enough to avoid arousing . . ." hostility," he said.

At its present stage of development, South Korea's car industry needed foreign participation.

A sober note was added to the proceedings by Sir Roy Denman, the European Commission's Director-General for External Relations.

Increased involvement by EEC concerns in South Korea was welcome, he said, but South Korea still had a long way to go in its import liberalisation programme. The country had reduced 75 per cent of its import tariffs but the remaining 25 per cent covered important products, whose import was "rigorously restricted," Sir Roy said. The maintenance of "extreme" protectionist measures in Korea's shoe industry was surprising, if it wanted to increase competitiveness in that sector, he said.

Tourism in Caribbean faces decline this year

BY TONY COZIER IN BARBADOS

CARIBBEAN TOURISM, with its heavy reliance on the U.S. and European markets, is likely to suffer a 10 per cent decline in business for 1981, the Caribbean Tourism Research Centre (CTRC) has stated.

In its annual statistical report for 1981 the CTRC, a research organisation funded by 27 regional governments, said that early returns for 1981 have demonstrated that the year "is going to be a year of difficulty throughout the Caribbean."

Weakness in the U.S. market simply maintains a trend, established in many cases in 1980, while the European market can also be expected to decline since much of the Caribbean is tied to the strengthening U.S. dollar.

"Despite some prospects for modest growth in the South American market and in the Caribbean market, the early indications are for a decline overall in the Caribbean of the order of 10 per cent, with those destinations placed close to the U.S., such as the Bahamas and Bermuda, perhaps best placed to resist the downturn," the report added.

The CTRC said the decline was fundamentally linked to the economic recession and "difficult trading conditions will continue until significant improvements in the economic climate are achieved." This, it estimated, could not be expected until 1982 and it would possibly be not until 1983

Return on capital hits new low

BY JAMES McDONALD

EXCEPT FOR North Sea activities, the rates of return last year on capital employed in industrial and commercial companies in Britain, and particularly in manufacturing companies, were by far the lowest on record.

The net rate of return on capital employed in all industrial and commercial companies including North Sea oil activities, in 1980 fell sharply to 4.9 per cent from 6.3 per cent in 1979, and at that level was the lowest since 1975, according to Industry Department statistics in today's British Business, the official magazine of the Industry and Trade Departments.

Excluding North Sea exploration and production activities, which have been a factor in the statistics since 1973, the net return for industrial and commercial companies last year, at 3 per cent, was the lowest since the series started in 1960. In 1979 it was 5 per cent.

Manufacturing companies alone fared even worse last year. The net return on capital employed, at 2 per cent, compared with 3.6 per cent in 1979, and also was the lowest on record.

Revisions made in the bases of estimates have slightly changed the pattern of rates of return since 1974. But they have not altered the general pattern of a downward trend since 1960 with, as the chart shows, four cycles up to 1978.

Industrial and commercial companies comprise all corporate bodies other than public corporations, banks, other financial institutions and agricultural companies.

Net rates of return of industrial and commercial companies have fallen more than gross rates. They were above gross rates in the 1960s but since 1974 have been well below them. This reflects the increasing importance of capital consumption as profits have fallen.

Excluding North Sea activities, capital consumption has risen from 20 per cent of the gross operating surplus in 1960 to 28 per cent in 1970 and 56 per cent in 1980. Gross and net rates of return fell in both 1979 and 1980 after rising between 1975 and 1978.

Profits from North Sea activities rose by nearly half in 1980 after more than doubling between 1978 and 1979. Last year, North Sea activities accounted for 29 per cent of the gross operating surplus and 41 per cent of the net operating surplus of all industrial and commercial companies.

As a result, the rates of return—including and excluding North Sea activities—have diverged rapidly in the last few years. By 1980 the difference was nearly 2 percentage points.

Container company shipped to Singapore

By Lorne Barling

INTVELD INTERNATIONAL, a Singapore-based container manufacturing concern, has purchased Duramin German Containers, of Lydney, Glous, and will transfer all production facilities and some of the management team to Singapore.

Duramin ceased trading last year after a fall in demand for its containers, due largely to the strength of sterling and competition from the Far East.

The sale of Duramin, formerly owned by United Transport, will allow renewed production of its container designs, and the use of its specialised production equipment, which will be shipped to Singapore.

The transaction will increase Intveld's container production capacity from around five units a week to around 70, putting it in the top league of container manufacturers in Europe and Japan. However, production will build up slowly and some of the capacity will be used initially for refurbishment work.

Intveld's chairman, Mr William In'tVeld, said damage to containers in some Far Eastern countries has created a need for refurbishment facilities

Rolls-Royce aircraft engine given the all-clear for commercial use

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE LATEST version of the Rolls-Royce RB-211 engine, the Dash 535C, which will be used to power the new Boeing 757 twin-engined airliner, has been awarded its Certificate of Airworthiness by the U.S. Federal Aviation Administration.

The engine was given its British Civil Aviation Authority Certificate earlier this year.

The U.S. approval clears the way for the use of the engine in commercial service. The first Boeing 757 jet, being built at Seattle, is due to "roll out" next January and fly in February, with deliveries to airlines starting in 1983.

So far, orders and options for 100 of these aircraft have been placed, including orders from British Airways (19 firm and 21 on option). The total value of engine orders to date, together with spares, amounts to more than £400m for Rolls-Royce.

The engine is rated at about 37,500 lbs of thrust but a more powerful version — the E4 — is under development and will become available by about 1983-1984.

● Airbus Industrie, the European consortium planning to build the 150-seat A-320 version of the Airbus, said the UK would be likely to have a bigger stake in that project than it currently has in the A-300 and A-310 Airbus ventures.

British Aerospace has a 20 per cent share of the earlier programmes, for which it is building the wings. It is interested in as much as a 30 per cent share of the new A-320, involving perhaps building the nose and forward fuselage, and undertaking final assembly, probably at Filton, near Bristol.

The precise stake is still under discussion between British Aerospace and the UK Government and will have to be discussed with the other partners in the Airbus Industrie group — Aerospatiale of France and Messerschmidt-Bolkow-Blohm of West Germany.

A decision on final work and cost sharing is not expected to be taken before the end of this year or early next.

● British Caledonian Airways, the independent airline, expects to have earned £53m in revenue from cargo in the financial year ending October 31.

In the first nine months of the year, ending July 31, the airline carried 36,485 tonnes of cargo on its scheduled services, a rise of 44.5 per cent.

● The first flight of the Skyship 500, the airship built by Airship Industries, is expected some time early next week. The flight, originally due today, has been postponed because of high winds at RAF Cardington, Bedfordshire, where the craft has been assembled.

Food industry profibility at 5-year high

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE PROFITABILITY of Britain's food manufacturers has begun to recover following the severe pressures of recent years, according to new profit figures for the industry.

The recovery in food manufacturers' fortunes was confirmed yesterday by Mr James Cleminson, president of the Food Manufacturers' Federation, who said that the recession had "bottomed out" for many leading food companies.

The figures, published by the Food and Drink Industries Council, show that food manufacturers' profitability in the first quarter of this year reached their highest level for five years. In the first quarter, food manufacturers' pre-tax profits as a percentage of their sales was 5.3 per cent, seasonally adjusted compared with 5.03 per cent in the last quarter of 1980.

In the first quarter last year, profitability fell to 2.65—almost half the level shown by the latest figures.

The FDIC points out that the improvement has not resulted from a higher sales volume or rapidly escalating food prices, but from "careful management of costs."

At yesterday's annual lunch of the federation, Mr. Cleminson said that "generally, our industry has survived in good health and we have been fortunate in that for us the recession bottomed out earlier than for the rest of the economy."

He said that there was "some slight comfort that during the first quarter there was some improvement in the appalling profit figures we have recently experienced." However, he pointed out, even this improvement was "nowhere near sufficient to fund really significant new investment."

Mr Cleminson said that he saw little possibility of this new investment being funded from a general increase in food sales in the domestic market. Food manufacturers were now looking towards increasing growth through exports.

"Just as we look to prevent the increase in penetration of imports into our home market, so we must positively make a determined effort to increase our sales into Europe."

Fewer new building society branches

THE RAPID expansion in the number of new branches opened by building societies appears to be slowing, according to the latest survey by Hillier Parker May and Rowden, estate agents and chartered surveyors.

The estate agents say building societies opened 527 new branches last year, compared with 552 in 1979. Plans for new branches also showed "a dramatic drop."

"Only one of the top 17 societies questioned planned to increase its number of branch openings while eight say they will reduce their level of openings," said the agents.

Hillier Parker said that the 10.2 per cent increase in the number of branches last year was the lowest percentage rise since 1976.

A breakdown of the increase shows the top five societies—Halifax, Abbey National, Nationwide, Leeds Permanent and Woolwich Equitable—growing at a faster rate than the next 12 largest societies.

Seltahart pays £1.2m for 25-bed hospital

BY ROBIN PAULEY

SELTAHART Healthcare Services, part of the Winchester-based Seltahart Holdings, has bought the Fulford Grange private hospital at Rawdon, near Leeds, for £1.2m.

The 25-bed hospital has surgical, X-ray and diagnostic facilities. Seltahart plans a £400,000 extension to add 10 more beds and a second operating theatre.

Seltahart has one clinic open in Farnham, Surrey, and four under construction at Brentwood, Southend, Solihull and Blackpool. It plans to have 15 by the mid-1980s and about 50 by the end of the decade.

The group intends to develop on the basis of small, community-based private clinics with 30 to 50 beds, costing around £2m each.

The Midland Bank Industrial Finance Company, a subsidiary of the Midland Bank, earlier this year subscribed £325,000 of share capital in convertible, redeemable preference shares in Seltahart Holdings and a MBIF director joined the Seltahart Board.

IBA may revise method of allocating TV franchises

SIGNS OF a possible rethink on the way commercial television franchises are allocated in Britain are likely to emerge today. Senior IBA personnel are due to explain their present viewpoints at a meeting of the Royal Television Society in Cambridge.

The authority, which sacked two ITV companies and imposed drastic reorganisation on three others in a new year sweep, was rewarded by criticism from both winners and losers in the franchise race.

Lord Briggs, a director of the disenfranchised Southern Television, is to deliver a critique of the system including the "no-appeal," sudden-death method of announcement.

He will share a platform with Sir Brian Young, director-general of the IBA who will explain the authority's position.

But what this gathering of senior TV professionals will be waiting for is the summing up by Lord Thomson of Monifieth, newly appointed chairman of the authority. He is reported to be deeply concerned by the events of the past year and has said on record he feels there is a better way of doing things.

The biennial RTS meeting sees in conference those who might have once been called the TV moguls. In the cloistered atmosphere of Kings College, Cambridge, people like Mr George Howard, chairman of the BBC, are able to meet newcomers such as Mr Justin Dukes, managing director of the fourth channel.

Other corporate boys new to the club include board members from TVS (which is taking over from Southern) and Westward's replacement, TSW.

A whole Friday morning session has been given over to the franchise debate. In the audience will be former chairman of the IBA, Lady Plowden, who supervised the procedure and who has been the butt of much of the criticism.

Later in the day the conference will turn its attention to a perhaps even more alarming topic—new technology. Sony, Philips, RCA (SelectaVision) and the BBC will be offering ideas on the race between conventional broadcasting, satellites, cable TV, tapes and video discs.

At the weekend a session on impartiality may see a response from the broadcasting organisations to accusations of bias contained in the Labour Party political broadcasts on Wednesday evening.

COMPANY NOTICES

Notice to bondholders

ALCAN AUSTRALIA LIMITED

8½% Bonds due 1989

Notice is hereby given that, pursuant to paragraph 4 (a) of the terms and conditions of the bonds U.S.$ 750,000 principal amount thereof have been purchased by Swiss Bank Corporation, Zurich, as purchase agent during the year September 1st, 1980, to August 31st, 1981.

U.S.$ 22,750,000 nominal bonds will remain outstanding after August 31st, 1981.

Alcan Australia Limited
by Swiss Bank Corporation (Luxembourg) Ltd.
Luxembourg as Principal Paying Agent
September — 1981

HITACHI CREDIT CORPORATION

U.S.$40,000,000 5% Convertible Bonds Due 1996

To the Bondholders:
NOTICE IS HEREBY GIVEN THAT, HITACHI CREDIT CORPORATION has declared a free distribution of shares of its common stock issuable on 1st October, 1981, to shareholders of record as of 30th September, 1981, Tokyo time, at the rate of 0.1 share for each share held, and an additional 5 million shares of its common stock will be issuable to the public on 1st October, 1981.
As a result, the Conversion Price of the Bonds (currently Yen 1,986) may change from 1st October, 1981, Tokyo time and the new Conversion Price in such case will be announced as soon as practicable after it is determined.

18th September, 1981

HITACHI CREDIT CORPORATION
15-12, Nishi-shinbashi 2-chome,
Minato-ku, Tokyo, Japan

UK NEWS

N. Sea gas transport planned

BY RAY DAFTER, ENERGY EDITOR

OPERATORS of three North Sea oilfields are about to sign a private enterprise gas transportation deal, only days after the collapse of the Government's proposed £2.7bn gas-gathering pipeline project.

Companies with interests in the Thistle, Murchison, and Magnus fields are close to signing contracts with the Shell/Esso group for transportation of their ntaural gas through the Far North Liquids and Associated Gas (FLAGS) pipeline system.

Shell, the operator of the 278-mile long pipeline network, said last night that negotiations were "very well advanced." The Thistle, Murchison and Magnus consortia will pay Shell and Esso a tariff for carrying their gas (which is being produced along with oil) to the St Fergus terminal in Scotland.

The FLAGS network—pipelines, shore terminal and gas liquids processing plant—is costing more than £930m to develop. It should be at least partially operational by the end of the first quarter of 1982.

The system is currently designed to serve a cluster of six northerly fields: the Shell/Esso partnership's North Cormorant, South Cormorant and Brent discoveries; the Amoco group's North West Hutton Field; Union Oil's Heather Field; and Chevron's Ninian discovery.

Operators of the three new fields to be served—British Petroleum (Magnus), Conoco (Murchison) and British National Oil Corporation (Thistle)—had already made contingency arrangements for linking their discoveries to the FLAGS network in case the gas gathering project fell—backed by the Energy Department—fell through.

Gas from all nine fields is currently being produced along with crude oil. Some of the gas is being re-injected into the reservoirs for future exploitation. The rest is either being used for power on the production platforms, or is being flared and thus wasted.

The Energy Department has indicated that it will take a tougher line on gas flaring in the future in order to encourage offshore operators to send ashore natural gas produced in association with crude oil.

Although the integrated pipeline network has now been abandoned—largely because of lack of industry funding—the Government is confident that gas will be collected in private systems such as FLAGS.

Output from Magnus, Murchison and Thistle—although modest compared with the Brent Field's gas production—will help to fill the FLAGS network and improve its viability.

New fields are expected to be connected in a similar way to the Frigg Field pipeline, the other major gas transportation system in the northern part of the North Sea. Two French companies, Elf Aquitaine and Total, have already told the Government they want to transport gas from their North Alwyn Field through the Frigg system which they own.

One of the reasons for the collapse of the gas-gathering project was the oil industry's unease about the price British Gas Corporation would pay for supplies. Companies have said they need a well-head price of about 25p a therm to justify development. It is understood that British Gas has been negotiating a delivered price of about 16p-17p a therm for gas fed through the FLAGS system.

Oil companies say petrol price war is spreading

BY SUE CAMERON

THE MAJOR oil companies last night admitted that the price war at Britain's petrol pumps is spreading. Motorists in some areas can now buy petrol for as little as 164p for a gallon of four-star.

The big petrol companies—Shell and Esso lead the UK market with BP Oil in third place—have so far insisted that price cutting at the pumps has been on a strictly localised basis. But a number of them are now starting to admit that more and more localities are being affected.

Much of the blame for slashing petrol prices is being put on those hypermarkets which have their own petrol pumps. They are known to sell petrol as a loss-leader to attract grocery shoppers and are said to be having a big impact on prices overall.

But the big oil companies say that some of their smaller rivals are taking the opportunity to cut prices at the pumps in an effort to boost sales and therefore their market shares. Companies such as Conoco, Amoco, Texaco and the French Elf are named in the industry as being the most competitive.

Lawson outlines duties to his ministerial team

THE NEW Secretary of State for Energy, Mr Nigel Lawson, yesterday outlined the responsibilities of his Ministerial team. But he made it plain that he aims to deal with the "major policy questions and matters of public interest" himself.

This means Mr Lawson will quickly become involved in issues central to the Government's economic policies—the level and nature of offshore taxation; the rate at which oil and gas are to be exploited; the reduction in British Gas Corporation's interests; the "privatisation" of British National Oil Corporation; the commercial guidelines laid down for the National Coal Board and the role of nuclear energy in the balance of electricity generating capacity.

Mr Lawson said that Mr Hamish Gray, Minister of State for Energy, would be his deputy and would continue to have special responsibility for oil, offshore gas and all UK Continental Shelf operations.

Mr John Moore, Parliamentary Under-Secretary of State would continue to have special responsibility for the coal industry. In addition, he would handle issues relating to nuclear power and the distribution and sale of gas.

Howell rejects plea for lower motoring taxes

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

THE GOVERNMENT will not cut motoring taxes as had been requested by industry and there will be no extra money spent on roads, Mr David Howell, in his first speech as Transport Secretary, told members of the Freight Transport Association at their national conference in London yesterday.

Mr Len Payne, the president of the FTA who is distribution director of J. Sainsbury, had called on Mr Howell to save industry over £1.3bn through a series of measures, most of them based on tax cuts for lorry operators.

Mr Payne urged the Government to accept heavier lorries, as recommended by the Armitage report which also called for tough controls on lorry noise, pollution, vibration and other measures to curb the effect of lorries on people and their environment.

Heavier lorries would save industry £140m a year, according to Mr Payne. Changing the basis of lorry taxes would save £450m a year. A cut in diesel fuel prices to West European levels would save £500m a year.

Mr Howell rejected any possibility of action by the Government on motoring taxes and roads. "A cut in motoring taxes of the size suggested would be equal to halving the expected yield from diesel fuel this year. This could not be accommodated in the Government's economic strategy," he said.

"I cannot hold out any hope that there will be scope for increasing public spending on roads."

He did not rule out the possibility that heavier lorries might be permitted—possibly up to 40 tonnes maximum gross laden weight.

He knew "industry's need for decisions to end the present uncertainty on weight limits," and hoped to reach decisions on the Armitage recommendations "very soon."

Rail chairman to stay on

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

SIR PETER PARKER, 57, is expected to be re-appointed today as chairman of British Rail for a two year contract. New terms are expected to include an agreement allowing him to increase his external earnings from private sector directorships, perhaps by as much as £10,000 a year.

His previous five-year contract expired last Friday.

The Government, especially Mr Norman Fowler, the former transport secretary, wanted to re-appoint him. However, Sir Peter was unable to reach agreement on terms until this week.

He wanted more freedom to extend his earnings from outside British Rail and to secure a sound Government pension

He is a non-executive director of S. H. Clarkson and the Rockware group, the glass company which he led until he joined BR.

● Sir Peter Parker is described in the latest edition of Jane's World Railways, published yesterday, as "possibly the most astute, capable and far-sighted BR chairman since nationalisation of the railways in 1947."

NEARLY 700 new front-wheel drive Vauxhall Cavaliers took part in a mass drive-away from the Luton plant yesterday, writes John Griffiths. The company plans to have 3,000 vehicles with dealers next week.

Mr Ferdinand Beickler, Vauxhall's chairman, said at the send-off: "We are now producing the new Cavalier as fast as we can go to meet what we are confident is going to be a very big demand."

The cars in 1.3 litre and 1.6 litre versions will sell at between £4,165 and £6,346. They are Vauxhall's major hope in a bid to build up its share of the UK market to 16 per cent by the mid-80s. Currently the company's share is about 7 per cent.

The Cavalier is likely to prove a welcome shot in the arm for Vauxhall which last month reported a first half loss of nearly £60m.

Screen debut for electronic mail

GUY DE JONQUIERES takes a look at latest developments in electronic communications and gives a rundown of some ingenious facilities soon to be available.

SOME BRITISH television viewers will within a few months be using their sets to read their mail. At the press of a button their screens will flash up messages like: "Arriving on the nine o'clock train from Paddington" or, more ominously: "Settlement of your credit card account is now seriously overdue. Kindly remit payment immediately."

This type of "electronic mail" is already in use inside a number of big companies. From later this month, it will also be available to users of Prestel, British Telecom's viewdata information service.

It will be offered initially to subscribers in London and the South East and extended gradually to the rest of the country.

Still more ingenious services are on the way. A new Prestel facility, Gateway, to be launched next spring, will make it possible, technically, to transfer money between bank accounts, make confirmed travel bookings, do the shopping electronically and even take out an insurance policy.

When such services become available will depend on the banks, insurance companies, tour operators and other businesses which British Telecom is encouraging to take advantage of the opportunities for "real time" communication Gateway will offer.

American Express is already planning a system which will enable its credit card customers to obtain information about their accounts on Prestel. Barclays has also signed up but has not yet decided whether to allow its customers to obtain account information.

But it seems likely to provide information like up-to-the-minute exchange rates and a system for calculating mortgage repayments.

In about a year the new facilities are due to be extended internationally, when the UK's Prestel system is linked up to Prestel International. This is now being marketed in seven countries, including the U.S. and some on the Continent.

Connecting the two will vastly increase the amount of information available to subscribers in Britain and abroad.

Though such services will be available to anyone prepared to pay £500 or so for a Prestel set and connect it to the telephone network, they will for the foreseeable future be aimed at business-users.

British Telecom's previous optimism about building up a big following among residential users has been disappointed—only a small fraction of the 13,000 sets in use is in private homes.

Nor does British Telecom apparently think that a mass market will emerge soon. Its decision to mothball 14 of the nationwide network of 20 computers on which Prestel operates will limit the number of subscribers to about 250,000.

That compares with hopeful forecasts only a year or two ago that more than one million sets would be in use by the mid-1980s.

The original marketing strategy for Prestel had counted heavily on the television industry to popularise the service by mass-producing the specially-modified sets needed to receive it.

But television manufacturers, uncertain about the size of the potential market, have been reluctant to commit substantial resources, and set prices have remained high.

British Telecom is now pinning many of its hopes of penetrating the residential market on the growth of personal computers.

By using Prestel's Gateway facility, a personal computer owner could gain access to huge quantities of information stored in private and public data banks and even call up over the telephone line programmes needed to perform complex data processing tasks.

At present, the adaptors and special software needed to plug into Prestel are expensive—about £500.

At least one manufacturer is said to be planning to make an adaptor costing about £100. And Sinclair, manufacturer of the highly successful £70 ZX-81 home computer, is understood to be considering making a machine that would combine both data processing and Prestel.

Nonetheless the brunt of Prestel marketing in the foreseeable future will concentrate on prospective business customers who need an efficient and relatively inexpensive information service, rather than trying to create new markets from scratch.

The marketing force is being beefed up, and its share of Prestel's total budget has risen from 10 per cent to 40 per cent in the past two years.

It is also being separated from the rest of British Telecom's marketing network, which is being organised on a regional basis, and brought under the direct control of Prestel's management.

The failure of Prestel's original market approach would probably have made many of these reorganisation moves necessary in time. But they have been given added impetus by the relaxation of British Telecom's monopoly, which takes effect from next month.

Mr Richard Hooper, who took over as director of Prestel 18 months ago, has a remit to turn it into a profitable commercial business. The results of the actions he is now taking will be a test of British Telecom's ability to shed its ingrained monopolistic attitudes and start behaving like a hard-nosed competitor.

Loss-making docks to close in a few weeks

LONDON'S historic Royal Docks, which have been losing well over £6m a year, are to be closed in a few weeks by the Port of London Authority.

The general cargo operations of the Royal Victoria Dock, the Royal Albert Dock and King George V Dock, covering some 900 acres, will be concentrated at Tilbury, closer to the mouth of the River Thames.

As a result, the PLA will be asking for a further 1,000 voluntary redundancies at a cost of over £16m on top of the 900 people who have already left this year. The three docks, two built near the end of last century, will be left only with scrap metal, freight forwarding and haulage business.

The PLA's decision follows a year in which it lost over £19m, with no noticeable improvement in 1981. Its debts now total over £100m, mostly to the Government, and its accumulated deficit is nearly £38m.

Royal Docks losses have risen from £3.3m in 1978 to £6.5m last year.

Because of its severe financial problems, the PLA has just submitted a report on its recovery strategy to the Government, which is still considering its implications. Government support will be provided for modernisation of facilities at Tilbury.

The heyday of the Royal Docks was in the 1950s and early 1960s—before the switch from trade with Commonwealth countries to the EEC and the advent of containerisation led to a rapid slide.

London's up-river enclosed docks, including the Royals, handled 16.5m tonnes of conventional cargo in 1960. But this year, with only seven berths being used, the forecast is for a mere 282,000 tonnes.

Traffic through Tilbury, 20 miles down the river in Essex, has shot up by contrast. It handled 7.5m tonnes in 1980, its growth stemming from heavy investment in facilities for containers, packaged timber and bulk grain in the late 1960s.

Over the past 15 or so years the number of registered dock workers in London has come down from 23,000 to under 5,000. They can now take advantage of an extra £5,500 on the maximum £10,500 severance pay under the national scheme of voluntary redundancies.

The PLA is hoping to retain the present business at the Royal Docks, much of it in Chinese and South American cargoes, after the move to Tilbury. Nearly 30 per cent of the Royal's import trade is in products from China such as bamboo, plastics, and bristles.

The closure of the Royal Docks for general cargoes is expected to be complete by the end of October. The East India and Millwall docks were closed last year.

M3 increase takes six-month money growth to 16.7%

BY DAVID MARSH

STERLING M3, the widely-defined money supply, rose 1.1 per cent, seasonally adjusted, in August, slightly less than the provisional estimate of 1.25 per cent given earlier this month, the Bank of England said yesterday.

This took growth in the first six months of the 12 month target period which started in February to 16.7 per cent, compared with the Government's aim of a 6 to 10 per cent rise over the whole year.

All the monetary aggregates have been heavily distorted in recent months by the impact of the civil servants dispute which held up tax collection from March to the end of July.

Because of the distortions, the Bank has given up trying to assess whether the underlying growth of money supply is in line with target.

Sterling lending to the private sector rose very sharply last month by £1.47bn, seasonally adjusted.

Lending by the clearing banks more than accounted for the total rise. This partly reflected increased borrowing under overdrafts by companies attracted by the profitable opportunities of re-depositing on the higher-yielding money market.

The narrowly-defined money supply M1 fell 2.4 per cent in August, partly resulting from clearing of cheques held up by the dispute. The non-interest bearing component of M1 fell 1.9 per cent.

Wider liquidity aggregate PSL1 and 2 grew by around the same as sterling M3 last month, by 1.2 per cent and 1.0 per cent respectively.

PSL2, which includes building society deposits, and therefore eliminates the effect of any recent switching between banks, has risen by 15.3 per cent at an annual rate since February, and building societies, only slightly less than sterling M3.

M3, which includes UK residents' foreign currency deposits in UK banks, has risen by nearly 25 per cent at an annual rate during the past six months.

Currency deposits rose by £440m last month, of which the lion's share—£280m—represented a valuation change as a result of sterling's fall.

Among the counterparts to the rise in sterling M3, the central government borrowing requirement was £270m, seasonally adjusted.

It was estimated to have been reduced by about £600m as a result of payments of delayed tax flowing to the Exchequer in the second half of the banking month.

Net purchases of central government debt by the non-bank private sector were £970m with gilt-edged stocks accounting for £850m, and National Savings for £200m. There were also net surrenders of £130m of certificates of tax deposits.

MONEY SUPPLY
(percentage changes)

	August	Since February at annual rate*	Last 12 months
M1	−2.4	+11.0	+10.0
Sterling M3	+1.1	+16.7	+14.0
M3	+1.5	+24.9	+19.8
PSL 1	+1.2	+16.3	+13.0
PSL 2	+1.0	+15.3	+13.5

*Distorted by ivil Servants' dispute
Source: Bank of England

Industry's stocks again fell in second quarter

BY DAVID MARSH

STOCKS held by industry fell heavily again in the second quarter, although there are now signs that the spell of sharp destocking may be slowing down.

Revised seasonally adjusted figures published yesterday by the Department of Industry show that the level of stocks held by manufacturers, wholesalers and retailers fell by £494m at constant 1975 prices in the second quarter, after a drop of £407m in the first quarter.

This took the total reduction of stocks since the beginning of destocking at the start of 1980 to £2.78bn.

The total stocks/output ratio at the end of June stood at 109.4 compared with 112.0 at the end of March. This was the second quarter in which the ratio has declined, suggesting that pressures forcing companies to destock may now be abating. However, the ratio for finished goods is still high, suggesting that further destocking may be more necessary in this area than for materials and fuel and work in progress.

Separate revised figures from the Department show that the volume of capital investment by the manufacturing, distributive and service industries rose 1 per cent in the second quarter compared with the first.

The seasonally-adjusted estimate of manufacturing investment was revised downwards, showing a fall of 3 per cent from the first quarter figure.

Relief on income bonds curbed

BY ERIC SHORT

THE INLAND REVENUE is to withdraw the tax concession available on guaranteed income bonds, which use life assurance premium relief to offer ultra-high rates of return over short peiods.

Life companies marketing such bonds were told by the Revenue yesterday that the life policies used in these bonds would no longer qualify for the tax credit given to regular savings life assurance contracts. This will apply to bonds sold from September 26. These bonds had relied on tax credit to boost returns several points above yields available on other forms of short-term investments.

The move came as a surprise to the life companies concerned. One at least, Albany Life, is questioning the Revenue's power to change its mind and withdraw tax concessions already granted. Mr Ralph Sepel, Albany's chief executive said it would be asking the Revenue to explain and justify its action since the withdrawal of tax approval involved an important point of principle.

The Life Offices Association, the trade association for the established life companies, however, said that the action was in line with the Revenue's known concern over possible misuses of the tax relief available on life assurance premiums. The Association itself has said it shares that concern.

The premium relief is meant to be available only on regular savings life contracts with a minimum term of 10 years. But some life companies, mostly newly formed and not members of the Life Officers Association, have devised methods of utilising this tax credit on bonds with a life of less than 10 years.

Indeed, the latest version from some companies offers a one-year investment period with yields of up to 16 per cent net of basic rate tax.

Hitherto, the Revenue's answer to what it regards as an abuse has been new legislation to try to block loopholes. But the companies have invariably been able to devise alternative schemes to circumvent the law.

This time, however, the Revenue has acted directly, telling companies concerned that, because the policies are not intended to last for 10 years, they do not meet the conditions for tax qualifications.

Plan to tax benefits runs into delay

BY TIM DICKSON

STRIKING workers and the unemployed will not now have their social security benefits taxed until July 5, 1982.

Because of the "complex administrative arrangements" the Government has had to put back its controversial plan to bring the benefits received by the unemployed and those involved in a trade dispute into the tax net.

At the moment short term social security benefits such as sick pay, supplementary benefit and unemployment pay are not taxable. In line with its election manifesto pledge, however, the Government introduced provisions in this year's Finance Act to tax such benefits with effect from the start of the financial year, 1982-83.

The delay, which is the result of the difficulty in co-ordinating several government departments, means that new legislation will be needed in the 1982 Finance Bill.

Although benefits will not be taxed until after July 5, the Inland Revenue says that as from April 6 (the date originally intended) tax refunds will be withheld while unemployment benefit is being paid.

These refunds are given at the moment because an employee's tax code reflects his or her salary for the whole year. In future a reconciliation will be made at the end of the period of unemployment.

Sales of unit trusts maintain momentum

UNIT TRUSTS managed to maintain their record sales momentum last month, according to figures published yesterday by the Unit Trust Association. Total sales of units in August were £80.39m while repurchases (units cashed in) amounted to £36.05m, leaving net new investment of £44.34m.

August is a traditionally quiet month and while the results do not match those achieved earlier in 1981, they compare favourably with July this year and August last year when net new investment was £31.2m and only £7.6m respectively.

So far in 1981 gross sales have topped £690m with net new investment almost £400m—both figures comfortably exceeding the highest previous annual totals.

The value of unit trust funds at the end of August (£6.1bn) is also the highest ever while statistics show that the number of individual unitholders, which until earlier this year had been steadily falling, continues its upward climb.

The August sales figures were helped to the tune of £15.47m by the unitisation of three other funds and the launch of one new unit trust.

Sales of the 29 gilt and gilt and fixed interest funds, which provided much of the industry's new money at one stage last year, amounted to about £5.5m.

Hesketh to raise working capital

By John Griffiths

HESKETH Motorcycles is raising another £500,000 for working capital. It is neded because the company's 1,000 cc, 130 mph motorcycle has run into engineering problems that will delay its sales launch until the end of the year.

Sales were planned to start in August, in time for the "X" registration suffix.

Some £1.3m was raised in the City last year to bring the motorcycle which 30-year-old Lord Alexander Hesketh, the company's founder, has spent three years and £1m developing to market.

Lord Hesketh is the company's deputy chairman, with Sir Barrie Heath the non-executive chairman.

Six of the eight investment trusts which underwrote last year's issue have confirmed that they are prepared to subscribe for a total of £540,000 in convertible unsecured loan stock, subject to shareholders' approval.

Lord Hesketh is to subscribe an additional £50,000. Existing shareholders will have the chance to participate in the issue with the trusts picking up the remainder in full. Hesketh's bankers, Barclays, have also agreed to raise the company's overdraft facility to £500,000.

But news of Hesketh's difficulties last night knocked the company's shares down 10p to 35p, compared with last year's initial offer price of 80p.

The engineering problems concern the gearbox, which is being modified to meet dealers' criticisms of its noise and roughness.

The modifications do not require re-tooling and the company said yesterday they were well in hand.

"But," said a spokesman, "time must be allowed for modifications and to run tests. This is likely to take a further 10-12 weeks and deliveries of completed bikes will not be made before the end of the year."

Some 50 dealers tried out the machines at the Daventry factory, employing 47 people, shortly after its formal opening in mid-August. No machines have been distributed for sale. Because of the dealers' criticisms "the board decided to halt production. Machines already built were taken apart again," says Mr Peter Gaydon, Hesketh's marketing director. "We are concerned only with getting the machine absolutely right."

Mr Gaydon said that demand for the V1000 motorcycle—which will sell at £4,495—had not been affected by the delay in deliveries. Hesketh has an advance order book for about 250 machines and plans an output of 2,000 a year in full production.

It is expected that 60 per cent will be exported, and negotiations are said to be "well advanced" with distributors in Australia, Canada, Holland, Japan, South Africa and the U.S.

The company says there will be no redundancies as a result of the production delay, although workers have been put on to working alternate weeks only and diverted to other tasks.

Denis Thatcher letter row 'absurd'

By Robin Reeves

MR NICHOLAS EDWARDS, the Welsh Secretary of State, yesterday described as "rather exaggerated and absurd" the row over Mr Dennis Thatcher's letter to him, urging the speeding up of a planning appeal for a property development at Harlech, in Snowdonia National Park.

But Mr Dafydd Elis Thomas, the Plaid Cymru MP for Merioneth—the constituency of the proposed development—called on Mr Edwards to resign. The letter, leaked from the Welsh Office, and the outcome of the planning appeal, provided a clear case of public office being used for private gain, he alleged.

Mr Edwards said: "I think it is perfectly normal for anybody, including the Prime Minister's husband, to draw any delay to the attention of ministers."

It was more a matter of concern that Mr Thatcher had had to complain, and that there were people in the public service who "think that pinching documents is the proper way of proceeding."

Regarding the note to his civil servants on the bottom of Mrs Thatcher's letter, demanding an immediate explanation of the delay, Mr Edwards said:

"Dozens of documents pass over my desk each day with a short, sharp note."

The call by Mr Thomas for Mr Edwards to resign followed his visit to the Welsh office where he was refused access to the file concerning the Harlech motel and housing development by Housing Development and Construction, the subsidiary of IDC, for which Mr Thatcher is a consultant. Mr Thomas was told that it was not normal policy to disclose this type of information.

UK NEWS—THE BANK OF ENGLAND BULLETIN

Hesketh to raise working capital

Steep fall in industrial output has flattened out

INDUSTRIAL output has flattened out after falling steeply since the end of 1979, but a number of negative factors are likely to impede the strength of any recovery, the Bank of England says in its quarterly bulletin.

Productivity gains and the weaker exchange rate, which will help to relieve companies of some of the pressure from international competition should contribute to some rise in corporate profitability whatever the trend of output, the Bank says.

Profitability remains low, but finances have improved, mainly because of a big rundown in stocks.

"Although the rate at which stocks were run down in the six months to March cannot be expected to continue, further cuts in fixed investment, together with better profits, should help the financial position of companies," the bulletin says.

The Bank estimates that the real rate of return earned by industrial and commercial companies—other than those connected with the North Sea—continued to fall in the first quarter.

In the six months to March, real profitability is estimated at just over 2 per cent, compared with 2.75 per cent in the previous six months and more than 4 per cent in 1979.

In spite of this, the corporate sector's £2.5m financial deficit in the six months to last September turned into a £500m surplus in the next six months, mainly because of a fall of more than £3.5bn (at current prices) in their holdings of stocks.

The likely slowing of the stock rundown—which may now be happening—will be a positive factor helping the recovery from recession. But this is likely to be accompanied by influences in the opposite direction.

"Consumer demand, which last year benefited from high wage increases and the effects of the high exchange rate, is now less buoyant," says the bulletin.

"The economy has not grown rapidly for a long time, so that investment (despite the second quarter figures) may be weak.

"There are also the probable effects of the loss of competitiveness (caused by last year's high level of sterling) on exports and imports. It is impossible to be certain whether the positive or negative forces will prevail."

Any prolonged flat trend in demand could bring greater financial difficulties for companies which would increase their demand for bank loans.

The optimistic alternative, however, would be for a recovery of demand which might reveal "a potential gain in productivity much greater, as a result of efforts at efficiency, than may now be generally expected. Companies' profits and competitiveness would benefit; and in the early stages of a cycle it might possibly even reduce their need to borrow."

Productivity had already improved sharply in manufacturing industry, where, in the first half of the year, output per man hour is thought to have been growing at about 8 per cent at an annual rate.

Although the Bank says the figures should be treated with caution, in the second quarter production (adjusted to take account of deliveries from stock) appears to have been steady while the total number of hours worked fell. (The change was made up of a fall in the numbers of employed, rather less short-time working and more overtime).

"It must be uncertain whether the rise in output per man hour reflects an enduring change in work practices, as many observers believe, or an effect of widespread closures of unprofitable plants (in many of which productivity may have been below average) and a temporary response elsewhere to falling profitability and financial pressures on companies."

Reports by David Marsh, Anatole Kaletsky and Peter Montagnon

IDENTIFIED DEPLOYMENT OF OIL EXPORTER'S SURPLUSES

$ billions

	1979 Year	1980 Year	Q4	1981 Q1	Q2
UK					
Sterling bank deposits	1.4	1.4	−0.1	0.3	0.3
Eurocurrency bank deposits	14.8	14.8	3.5	4.6	0.3
British government stocks	0.4	1.9	—	0.2	0.3
Treasury Bills	—	−0.1	−0.1	0.2	—
Other sterling placements	0.4	0.1	—	—	—
Other foreign currency placements	0.2	−0.5	−0.2	−0.1	−0.4
	17.2	17.6	3.1	5.2	0.5
U.S.					
Bank deposits	5.0	−1.2	−1.0	0.4	−0.9
Treasury bonds and notes	−1.1	8.3	2.2	3.0	2.5
Treasury bills	3.3	1.4	−0.2	0.3	—
Other portfolio investment	1.0	4.6	1.0	1.4	1.2
Other	−1.4	1.4	0.3	*	*
	6.8	14.5	2.3	5.1	2.8
Bank deposits in other industrialised countries	18.7	26.2	2.8	−0.1	*
Other investment in other industrialised countries	8.7	17.0	4.2	7.0	2.9
IMF and IBRD	−0.4	4.9	1.2	0.7	0.6
Loans to developing countries	9.6	6.7	0.9	1.2	1.3
Total identified deployed net cash surplus	60.6	86.9	14.5	19.1	*
Residual of unidentified items	16.4	23.1	10.5	5.9	*
Total net cash surplus derived from current account (as shown in the previous table)	77.0	110.0	25.0	25.0	*

* Not available

THE PROPORTION of excess revenues of the oil exporting countries deposited with international banks fell further in the second quarter as the move towards longer term investments continued, the Bank says in an article on the deployment of the oil surpluses.

The share of total new funds placed in bank deposits fell to 27 per cent from 36 per cent in the first quarter. About 76 per cent were held in Eurocurrency deposits.

Investments in U.S. Treasury bonds and notes and other American portfolio placements rose sharply in the second quarter while U.S. bank deposits fell. New longer term investments in industrialised countries other than the UK and the U.S. also continued during the quarter.

Public sector borrowing in line with the Government's target

THE Bank of England believes that public sector borowing this year, after making allowances for the civil servants' dispute, is broadly in line with the Government's target.

"Unlike last year, when unexpectedly-deep recession added substantially to the public sector deficit, there is no sign that developments in the economy are having any unexpected effect on government finances," the bulletin says.

The public sector borrowing requirement amounted to £6.8bn seasonally-adjusted in the first quarter of the 1981/82 financial year. The Government's forecast for the whole financial year is £10.6bn.

About £3.5bn of the first quarter total was due to delayed taxes caused by the Civil Service pay dispute, and recovery of this has begun.

"The remaining £3bn to £3.5bn appears to be in line with the projection for the year since, other things being equal, the timing of receipts from North Sea activities make the PSBR larger in the first half of the financial year than in the second half, even after seasonal adjustment."

The Bank says the authorities did not seek to increase the rate of funding to offset the temporary impact of the dispute on central government borrowing, which it put at about £4bn in the first five months of the financial year.

"Such a policy would have been possible—if at all—only at sharply higher nominal interest rates on the debt sold."

UK PRIVATE SECTOR FOREIGN CURRENCY DEPOSITS AND LOANS

£ billions* amounts outstanding

	Deposits			Loans		
	With UK banks	With banks abroad†	Total	From UK banks	From banks abroad†	Total
End-Sept. 1979	4.7	‡	‡	8.3	2.7	11.0
End-Sept. 1980	5.7	2.5	8.2	9.2	3.0	12.2
Mid-Feb. 1981	7.0	‡	‡	9.0	‡	‡
End-Mar. 1981	8.0	2.8	10.7	10.0	3.5	13.5
Mid-July 1981	9.9	‡	‡	11.5	‡	‡

* Converted at market exchange rates.
† Banks in the BIS reporting area. Deposits include commercial paper and bankers' acceptances denominated in US dollars.
Figures for loans are partly estimated; they include borrowing through US dollar commercial paper.
‡ Not available.

Nonetheless, the Bank makes clear that the pace of funding has been maintained in recent months.

Purchases of central government debt by the non-bank private sector in the three months to mid-August were less than the exceptionally-high rate in the preceding three months.

Even so, the rate of funding at around £2.5bn was above the average in the previous money supply target period. Total debt sales to the non-bank private sector in the first six months of the current target period (from February to August) exceeded the estimated strike-adjusted PSBR by perhaps £1.5bn.

The Bank records that sterling M3 grew at an annual rate of 17 per cent in the six months. It adds that companies must have regarded some of their increase in deposits as pledged against future tax liabilities and as not fully liquid. "It has become increasingly difficult to assess the underlying rate of growth."

The Bank takes a closer look at rapid growth in M3, which includes UK residents' foreign currency deposits with banks in the UK. This aggregate has grown by 25 per cent at an annual rate during the target period so far.

Most of this increase has consisted of holdings by industrial and commercial companies, which accounted for 60 per cent of the total at the end of June. Two reasons for this growth are the ending of exchange controls and the growth of international business.

Interest rates on foreign currency deposits have also risen relative to UK rates, while some companies have been trying to build up deposits to cover foreign currency loans.

Pound's fall may affect inflation less than thought

THE INFLATIONARY impact of the recent fall in the pound may be considerably less than commonly supposed, according to statistical research at the Bank.

In the absence of any wage response to rising prices, the total effects on consumer prices would be about one quarter of the fall in the trade-weighted exchange rate. The full inflationary effect would not be felt for more than two years.

The Bank therefore suggests that "apart from any repercussions on wages, the 9 per cent fall in the effective rate (to mid-August) might, taken by itself, mean that by the end of the next two years prices could be 2 to 3 per cent higher than they would have been if the exchange rate had remained at its end-1980 level."

However, if wages rise by the same amount as consumer prices, the long-run effect of a fall in sterling will be to raise prices by the full amount of the trade-weighted depreciation. If wages rise in line with prices, but do not anticipate price increases, about one third of the exchange rate depreciation will feed through into the retail price index after two years.

The widespread idea that the pound's fall against the dollar gives a better measure of the inflation than the trade-weighted index is a misconception, says the Bank.

Although the trade-weighted index was constructed to measure the trade balance effects of currency movements, there is no evidence that the weight given to the dollar is lower than it would be in an index designed to measure inflationary effects.

In fact, the share of Britain's imports coming from the U.S. (15.95 per cent) is smaller than the weight given to the dollar in the trade-weighted index (24.63 per cent). An exchange rate index based on import shares would have fallen less rapidly in recent months than the trade-weighted index.

Surveys suggest that about 40 per cent of British imports are invoiced in sterling, 30 per cent in dollars and 30 per cent in other currencies, so the share of dollar-invoiced goods is only slightly higher than the dollar's weight in the trade-weighted index.

In any case, the Bank believes that "the currency of invoice is probably only of short-run importance."

The Bank also rejects the claim that prices paid by British manufacturers for raw materials are more closely linked with the sterling/dollar exchange rate than with the trade-weighted index.

Tests on world primary product prices show that whereas metal ores and agricultural inputs appear more stable when measured in dollars, metal and food prices are more stable in Special Drawing Rights.

By splitting the sterling/dollar exchange rate into two parts—one to reflect the strength of the dollar, the other to reflect the strength of sterling—the Bank has found that only the strength of sterling has a significant effect on sterling commodity prices.

Denis Thatcher letter row 'absurd'

Lifting of exchange curbs boosts share buying abroad

THE ABOLITION of exchange controls in October 1979 has had a marked effect on capital flows out of the UK and on the flows of the capital and current accounts of the balance of payments.

The greatest effect has been on the rate of portfolio investment abroad and on the financing of direct investment. Although the precise impact is unquantifiable, the lifting of controls must have exerted some downward pressure on the exchange rate.

The share of pension funds' cash flow being invested overseas had grown from 7 per cent in the first three quarters of 1979 to 25 per cent in the first two quarters of this year and has averaged 20 per cent since the abolition of exchange controls.

Insurance companies' overseas acquisitions rose from 4 per cent prior to abolition to 17 per cent in the first quarter of 1981. Unit trusts have "acquired virtually nothing but overseas assets since late 1979" in net terms.

Investment trusts have "substantially divested from the UK equity market in order to build up the overseas stakes in their portfolios."

The Bank estimates that by the end of 1980 the institutions had substantially increased the share of overseas assets in their portfolios relative to the end-1978 level, despite the loss of dollar premium (which was 43 per cent at the end of 1978) and the appreciation of sterling in the intervening two years. This may imply that the stock-adjustment effect of the abolition of exchange controls may now be coming to an end.

As this happens "outflows of portfolio investment should simply affect the growth in domestic wealth, modified only by changes in relative yields and risks on domestic and overseas securities."

Abolition of exchange controls has had little perceptible effect on direct investment overseas by British companies. This is "not surprising" since controls were not intended to restrict profitable direct investment.

The proportion of earnings retained overseas increased sharply after controls were lifted, but has now returned to its average pre-abolition level. However, the financing of direct investment has changed sharply.

Repayments of about £380m have been made each quarter in the second half of 1979, as against a quarterly rate of borrowing of £260m in the preceding six quarters.

There has been a big jump in foreign currency bank deposits held by UK residents. Between September 1979 and end-June 1981 these deposits with UK banks rose by £5bn.

Foreign currency deposits with foreign banks grew by £0.7bn between end-September 1979 and end-March 1981. Foreign currency borrowings in the same periods grew by £2.9bn from UK banks and £0.9bn from foreign banks.

Sterling lending overseas by UK banks grew from about £6m a month during 1979 to about £110m in the first half of 1980. After the abolition of the corset in June 1980 there was a further sharp increase to an average of about £300m a month.

About one-third of these sterling loans are being made to overseas banks and are matched to some extent by these banks, sterling deposits with UK banks. These loans and deposits are "a manifestation of the growth of the Eurosterling market and its closer integration with the domestic inter-bank market."

Nuclear opposition dismays Steel

BY IVOR OWEN

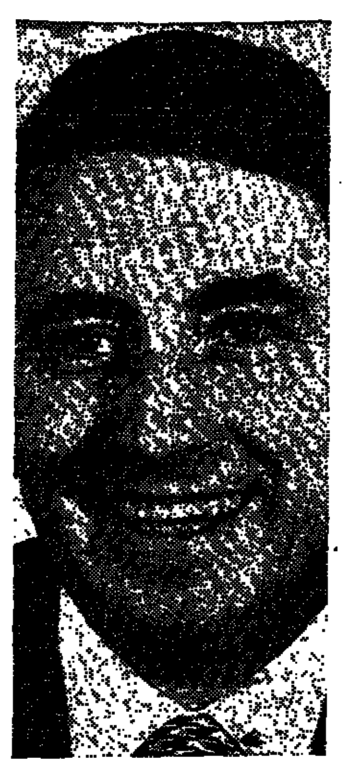
A DECISIVE vote by the Liberal Assembly in Llandudno yesterday urging Britain to take unilateral steps towards nuclear disarmament dismayed Mr David Steel and his leading supporters.

Ignoring their party leader's known opposition—and the fact that it is likely to prove a source of friction with their new Social Democrat allies—delegates overwhelmingly approved a motion opposing the siting of cruise missiles in Britain and calling for a nuclear free zone in Europe.

Mr Steel later reaffirmed the Liberal Party's commitment to Nato and insisted that, despite the Assembly vote, he would not advocate unilateral disarmament.

An attempt to spare Mr Steel the embarrassment of seeing the official party line overturned, Labour style, by the annual conference failed.

An amendment with reflected his views, asking the Government to defer a decision on the deployment of Cruise missiles in 1983 pending further disarmament negotiations with the Soviet Union, was defeated by 269 voes (754-485).



Steel: will not advocate unilateralism

Johnston: Soviet Union less likely to talk

The motion committing the party to campaigning against Cruise missiles was carried effortly on a show of hands, to cheers from many on the platform as well as from the floor.

The implications had been spelt out by Mr Richard Moore, who after many defeats as a parliamentary candidate is now assistant general secretary to the Liberal group in the European Parliament.

If the motion were carried, he said, Mr Steel would find himself out of step with other leading European Liberals, including the Italian Prime Minister, Mr Spadolini and the West German Foreign Minister, Herr Genscher, when he met them in Rome next week.

Mr Moore argued that it would be an act of folly for the Assembly to adopt a similar stance to the unilateralists without giving Mr Steel—"a future British Minister whether Prime Minister or not"—an opportun- for consultation with Britain's European and Nato allies.

Mr Moore was hissed by some delegates when he accused them of acting like a Labour conference on the nuclear disarmament issue by giving way to "an emotional spasm."

Hostile shouts from delegates also interrupted the speech of Mr Russell Johnston, MP for Inverness, and the party's spokesman on foreign affairs.

He warned that disunity in Nato over nuclear weapons would result in the Soviet Union being less likely to agree to effective disarmament negotiations.

Mr Johnston conceded that securing agreement on a peace initiative with President Reagan—who frequently came under fire from delegates—would be difficult in any case, but approval of the motion would make matters worse and strengthen immeasurably the position of the hawks in the Pentagon.

Mr Michael Meadowcroft, from Leeds, won applause from the floor when be deplored the attempts to use Mr Steel's name to secure approval for the amendment.

To cheers he declared: "The immense respect that all Liberals hold for Mr Steel does not mean that this party has got to be a one-man-band on every issue."

Mr Meadowcroft suggested that the party's backing for a nuclear free zone in Europe might help the Social Demcorats.

"It removes the last excuse for idealistic radicals to join the Labour Party," he said.

Smith says MPs want end of closed shop

By Ivor Owen

LIBERAL MPs will support any legislation introduced by the Government outlawing the closed shop.

Giving this pledge to the Liberal Assembly yesterday, Mr. Cyril Smith, MP for Rochdale and the party's employment spokesman, stressed that he believed that the introduction of such legislation in the new parliamentary session opening in November would be "ill-timed."

But matters of principle had to override timing and he would vote for the Bill if it made the closed shop illegal.

Mr. Smith maintained that the best way to tackle the closed shop issue was by arguing it out with the unions. He was opposed to confrontation for its own sake.

Mr. Smith saw the appointment of Mr. Norman Tebbit as Employment Secretary in place of Mr. James Prior as an indication that anti-trade union legislation was on the way.

He warned delegates that a showdown with the unions might be part of the Prime Minister's strategy in the run-up to the next general election.

Mr. Smith envisaged this prospect in the course of a savage attack on Mr. Tebbit.

He declared: "I consider him to be a slick, slimy and slithery individual and his appointment to be a potential disaster for industrial relations in this country.

"I suspect that is the only reason for his appointment—the Prime Minister thinks she can win if she appears to be taking on the trade unions."

Mr Smith reminded delegates that Conservative MPs had refused to support him when he tried to amend the Government's Employment Act during its passage through Parliament last year to make the closed shop illegal.

Only one Tory MP, Mr John Gorst, had supported the amendment banning the closed shop, which he had tabled at the committee stage.

Mr Smith also revealed that he wrote to the Prime Minister earlier in the year suggesting that legislation dealing with the closed shop should include a provision giving every worker the right to join a trade union if he wished.

He explained: "My view is that every man and woman should have the right to belong to a trade union and every man and woman should have the right not to belong to a trade union."

Hoover workers turn down wage cut and pay freeze

BY BRIAN GROOM, LABOUR STAFF

HOOVER's proposals for a 10 per cent wage cut from January, a pay freeze until it returns to profitability and further manning reductions have been rejected by workers at all three of its UK plants.

A mass meeting yesterday at the Cambuslang factory near Glasgow, which employs 2,100 out of the company's 9,000 UK staff, demanded unanimously that Hoover withdraw its "provocative" statement and voted to take "whatever action necessary" to thwart any move to close the factory.

Mr Eddie McAvoy, works convenor, said this could mean an occupation.

Shop stewards at the Merthyr Tydfil plant rejected the pay cut earlier this week, and a mass meeting of skilled and manual workers at the Perivale works in London spurned it unanimously last Friday.

Mr Bill Clarke, convenor for the Amalgamated Union of Engineering Workers at Perivale, said yesterday that an occupation was also possible there.

Hoover, which made a pretax loss of £6.1m in Britain in the first half of this year, is considering options which include shutting Cambuslang and shifting work to Perivale; shutting Perivale; or shutting both factories and opening a new one elsewhere.

A decision on the future of the two plants may be taken later in the autumn. Merthyr employs 3,500, and Perivale 1,500.

Mr McAvoy said the Cambuslang unions would not discuss a plan for saving money on the wage bill unless the directors clearly stated that the factory would remain open.

"If they do not do this and decide to close, the employees will take whatever measures are necessary to prevent them closing down or removing any plant from Cambuslang."

Mr McAvoy said he believed the directors had decided some years ago to run down Hoover in the UK and build up the European factories.

The company replied yesterday thta had only one European manufacturing plant, at Dijon in France, and that the workforce there had fallen from over 1,000 in 1973 to under 600.

Hoover, which has seen months of short-time working, has shed 900 workers at Merthyr Tydfil, 700 at Cambuslang and 300 at Perivale in the past 18 months.

The company's other proposals to the workforce include a reduction in the number of shop stewards conducting pay talks, 30-month pay deals, and a cut in bonus payments. Mr Clarke said some of the proposals would be totally unacceptable to the Perivale workers even if the plant stayed open.

Industrial action 'will not save Robb Caledon'

BY PHILIP BASSETT, LABOUR STAFF

BRITISH Shipbuilders told its workforce yesterday that industrial action over the closure, due today, of the Robb Caledon shipyard in Dundee would not save the yard but could instead damage the corporation's future and that of its employees.

The shipyard negotiating committee of the Confederation of Shipbuilding and Engineering Unions has called for an overtime ban throughout BS from today and a series of weekly one-day strikes from September 28 over the yard's closure.

BS and the confederation made no formal contact yesterday, but there are some hopes of further talks on the issue on Monday.

The corporation issued a statement on the yard's closure to its 70,000 workers yesterday through managing directors. It said the yard had "no future within the corporation. It has no customers left and it has no work, nor has it had for several months.

"It has been costing the corporation £250,000 a month in addition to losses of £12.8m since nationalisation. The losses are weakening to the corporation overall and imparing job security. It should not and cannot be allowed to continue."

The workforce was told that the yard's problems and eventual closure had been caused by its low productivity, poor industrial relations, and late delivery and finally locking-in of ships.

Kestrel Marine, the Dundee-based offshore exploration group, is still in talks with the Scottish Office over its interest in purchasing the yard. However, CSEU earlier this week rejected a BS offe rto keep the yard open for a further four weeks to allow those talks to be concluded because, union leaders say, of conditions precluding any further prptest action over the closure at the end of that period.

Mr Jim Murray, chairman of the CSEU's shipyard committee, and general secretary of the Boilermakers' Society, said the guarantees BS was seeking made the formula unacceptable. He predicted complete support for the overtime ban and the planned strikes.

The overtime ban will have its most immediate effect on shiprepair, which depends largely on overtime. BS fears that even the prospect of such a ban will disturb shipowners and may well send them to foreign yards.

Unions and management seek aid for P&O ferry

By Brian Groom, Labour Staff

UNIONS and management at P & O Ferries in Liverpool yesterday agreed to approach the Government jointly to see what assistance it could offer to ensure a "viable and reliable" service on the Belfast-Liverpool route.

P & O ended the service—the only direct passenger shipping link between Northern Ireland and England—on New Year's Day, but withdrew the decision in early January after a public outcry.

It said the long-term future of the service would depend on increased demand, better union co-operation and Government support for investment plans.

Closure is again on the cards because a declining market has made the problem worse than at the start of the year. It is understood that the main P & O board will hear a report from the management of P & O Ferries next Thursday.

The Government could suffer considerable political embarrassment if it allowed a closure to go ahead at a time when it is making well-publicised efforts to assist Liverpool.

To make the service viable in the long-term, help would be needed to improve berthing facilities and replace two ageing ships on the route. Lean guarantees for this have already been discussed with the Government

Scottish prison staff seek 'big' claim

Scottish prison officers voted yesterday at their annual conference in Edinburgh for a "substantial increase in wages for 1982." Though union leaders refused to specifi any percentage target, any pay offer is likely to be influenced by the Government's cash limit pay provision of 4 per cent for the public services this year.

Left-wing attack on Benn campaign

BY RICHARD EVANS, LOBBY EDITOR

MR TONY BENN was accused by fellow Left-winger Mr Neil Kinnock yesterday of fostering antagonisms within the Labour Party by forcing a contest for the deputy leadership.

The comments, in Tribune, the Left-wing weekly, are particularly damaging to Mr Benn because of the high standing of Mr Kinnock on the left of the party.

He is a member of both the National Executive Committee and the Shadow Cabinet but his open hostility to the Benn campaign might jeopardise his seat on the NEC.

Mr Kinnock is one of a number, possibly 20, of MPs on the left of the party who have decided to vote for Mr John Silkin in the first ballot and to abstain on the second ballot rather than vote for either Mr Denis Healey or Mr Benn.

The result, which will be known on Sunday week on the eve of Labour's Brighton conference, could be extremely close, and the abstentions could conceivably tilt the balance against Mr Benn.

Mr Kinnock's theme was the divisive nature of the contest and the need to reunify the Labour Party, preferably behind Mr Michael Foot and Mr John Silkin.

Benn: not seeking personal power

Kinnock: Tony has fostered antagonism

"I believe that Tony has fostered antagonism within the party, he has undermined the credibility of credible policies by oversimplification, and he has not disowned those who insist upon support for his candidature as the test of loyalty to Labour policy.

"I believe that, through an inaccurate analysis of the position and power of the Labour movement, and by a tactically mistaken decision to contest the deputy leadership, Tony has significantly harmed the current standing and electoral opportunities of the Labour Party.

"By so doing he has inadvertently harmed those who I am sure he most wants to help—the people of Britain who need to have the certainty of a Labour government which will bring rescue, recovery, and resilient democratic socialist change." Mr Kinnock writes.

He denied in a BBC radio interview that he was "opting out" by abstaining.

He had taken a very difficult political decision and he believed he could argue his case much more convincingly by voting for neither candidate.

Mr Benn, interviewed last night on BBC Radio 3 following publication of his book Arguments for Democracy denied he was contesting the deputy leadership in order to seek personal power.

"This theory that this whole argument is constructed to catapult me into personal power is absolutely contrary to everything I believe," he declared.

What he was interested in was the need for people to know that when they voted for a policy by voting for a person that person would honestly and seriously try to carry it out.

Mr Benn reiterated his belief that under a future Labour government the Cabinet should be elected by Labour members of parliament. At present, Labour MPs elect a shadow Cabinet but the choice of a Cabinet remains with the Prime Minister.

Mr Silkin, speaking at Chatham last night, said the unemployment figures to be published next Tuesday were likely to show over 3m registered unemployed.

"The ludicrous thing is that it is not that but the fight for the deputy leadership which will be obsessing everybody for the five days that follow."

He argued that only a Labour government could bring the country back from disaster, but the Labour Party would only win if it was united. That meant a dedicated, tolerant Labour Party under a dedicated tolerant leadership at the next election.

Miss Joan Lestor, MP for Eton and Slough, and a member of Labour's NEC, proposes to follow the same line as Mr Kinnock, although her local party intends to vote for Mr Benn.

Miss Lestor said in a statement last night that Mr Silkin's credentials were excellent, and she did not believe he would put the party through its present agony again.

Mr Benn, on the other hand, had already made it clear he was prepared to contest the deputy leadership again, if necessary. This she found "totally unacceptable." She did not feel she could vote for Mr Healey, since he did not accept key party policies.

"Those who are implying retribution against those who fail to support Tony Benn give the game away, since there is little policy difference between Benn and Silkin.

Complaints at Labour 'bias' attack

By Richard Evans, Lobby Editor

LABOUR OFFICIALS were unrepentent yesterday following complaints about the controversial party political broadcast on Wednesday night attacking alleged bias and distortion in the media.

Among the protests delivered to Labour Party headquarters were ones from the BBC and from journalists' organisations.

The broadcast claimed there is distortion in the Press and broadcasting on issues such as the trade unions, immigration and Northern Ireland.

The Labour Party has had under consideration for several months a number of proposals for countering what is regarded as widespread bias in radio and television and by national and local newspapers controlled by a small group of powerful owners.

Ideas include setting up a newspaper sympathetic to the Labour cause and the automatic right of reply to people who believe they have been misrepresented.

Mr Graham Jones, president of the Institute of Journalists said the programme's generalisations were "scurrilous," and he challenged Mr Ron Hayward, general secretary of the Labour Party to deny it was part of an attempt to pave the way for state control of the media.

BL begins talks today on manual workers' pay

Lorne Barling looks at the impasse on the wages of manual staff at the loss-making State motor corporation

PAY NEGOTIATIONS on behalf of 58,000 BL manual workers will open today with a union claim for £20 a week rise, which the management will respond to within 10 days, almost certainly with an offer of less than 5 per cent.

The union claim, representing an increase of 17.5 per cent on overall earnings, plus the average bonus, will be made in the face of repeated management warnings that a settlement must be achieved on what the company can afford, rather than on union aspirations.

With BL having recently announced half-year losses of about £250m, it is possible that management will respond with a refusal to consider any increase at all. But it is more likely to make a small offer and seek to improve productivity agreements.

The wage claim, however, will be based largely on the need to redress the imbalance, which BL workers believe has come about through low basic increases over the past three years. These were 5 per cent in 1978, 5 per cent in 1979 (with skilled men receiving more), and 6.8 per cent last year.

In this period, "dramatic improvements in productivity and products" had been achieved, said Mr Geoff Armstrong, BL Cars' employee relations director. The prospect of BL becoming a high technology, high wage company was now in sight, and should not be jeopardised.

"It would be a crying shame if we now failed. It is very clear that we are not yet strong enough to sustain any protracted disruption," he said.

Mr Grenville Hawley, national automotive secretary of the Transport and General Workers' Union, one of the leading negotiators, said yesterday: "Our claim document will provide justification for the increase we are seeking, mainly on the basis of loss of earnings over the past three years."

BL management is likely to counter this argument by claiming that, due to productivity bonuses, average earnings within BL Cars have risen by about 13 per cent this year. Bonuses are said to have averaged £6 a week since January.

The company added yesterday that bonuses were still rising and that 14,000 workers at Longbridge, where the Mini Metro is produced, were now receiving their highest-ever bonuses of about £18 a week. This brought them close to the £22 ceiling under the productivity deal negotiated in last year's pay round.

Although management believes that the bonus scheme has largely contributed to the high level of continuous output at Longbridge, it is understood to see some room for changes and improvements.

The wage negotiations, which will take place at BL's training centre at Haseley Manor, near Warwick, will be attended by shop floor representatives from BL plants, and are expected to last a number of weeks.

● Hourly-paid workers at Vauxhall's Luton plant are expected to back their union leaders' recommendation and reject the company's 4 per cent pay package, at a mass meeting this morning. Shop stewards at Vauxhall's Dunstable factory have already rejected the pay offer.

Transport union members at Vauxhall's Ellesmere Port plant have already rejected the offer at a mass meeting.

Prior makes surprise visit to Maze Prison

BY OUR BELFAST CORRESPONDENT

MR JAMES PRIOR, the new Northern Ireland Secretary, made a surprise visit to the Maze Prison in Belfast yesterday, where he saw—but did not talk to—some of the IRA hunger strikers.

Mr Prior, who was accompanied on the visit by new Northern Ireland junior Ministers, Lord Gowrie and Mr Nicholas Scott, confirmed that he did not speak to the hunger strikers.

He said his two hour visit was "a general look around."

He met the prison governor, spoke to some republican prisoners and saw the controversial H-Block workshops and recreational faciilties.

Later he declined to answer questions about the prisoners' five demands but said: "There will be plenty of time in the next few days. I am digesting things very carefully."

The speed of Mr Prior's visit to the Maze on only his second full day in the province would seem to indicate his desire to give priority to the protest which has so far led to the death of ten prisoners.

The visit was made before scheduled meetings with the Official Unionist Party and the Democratic Unionist Party at Stormont.

Mr Prior, who has spoken of the international dimension of the Northern Ireland problem, was expected to hear harsh words from the Rev Ian Paisley, the DUP leader, who wants to protect the province from outside interference, particularly from the Irish Republic.

Security was also high on the agenda because of recent IRA killings of soldiers and policemen.

● At Heathrow airport, Mr Owen Carron, MP for Fermanagh and South Tyrone criticised Scotland Yard checks on three companions.

The three were John Pickering, brother of Maze hunger-striker Joe Pickering, and James Bell and Thomas McLaren, brothers of two prisoners taking part in the "blanket" protest.

They were stopped at arrivals as Special Branch officers carried out a full check on two Belfast flights carrying 100 relatives of prisoners held in the province.

Mr Carron waited at the control desk until the men were released 45 m inutes after arrival.

Mr Carron said: "It was petty harassment—the British law being used against Irish people."

Backing for Youth Ministry

THE ASSEMBLY backed a Young Liberal call for a Ministry of Youth, rejection of compulsory community service or military training, and action to curb "flagrant abuse" of work experience schemes.

YL chairman Sue Younger, recalling the summer riots, said the blood of Britain's youngsters would be on the hands of the Liberals as well as other parties unless determined action was taken to halt youth unemployment.

She condemned the plight of jobless youngsters as a "national scandal," and said half this generation of schoolchildren were on the scrapheap with no guarantee of finding work.

Badge of courage

LATEST BADGE to appear at the Liberal Assembly following Wednesday's 1,600 to 112 vote in favour of an alliance with the SDP: Free the Llandudno 112.

Tebbit 'may cause harm'

BY OUR LABOUR STAFF

MR NORMAN TEBBIT, the new Employment Secretary, is likely on his record to exacerbate the tensions between the Government and the TUC, Mr John Lyons, general secretary of the Engineers' and Managers' Association said yesterday.

However, Mr Lyons said, Mr Tebbit was in a unique position to begin to repair the damage to TUC-Government relations. "No one is now better placed to scatter the Tory trade union hawks than he is if he wanted to. It is unlikely but it is possible."

Mr Lyons, of the traditionally-moderate EMA, blamed the Government for the "leftward lurch" of the TUC. The refusal to talk to unions had created a "vacuum in which it is only too easy for the raucous voices of the far Left to score debating victories at trade union conferences—as at the recent TUC Congress."

The resulting polarisation of attitudes was harmful to the country. It required a Government initiative to break it, he said.

Corporate Reorganization is the first step in IH's 3-year plan

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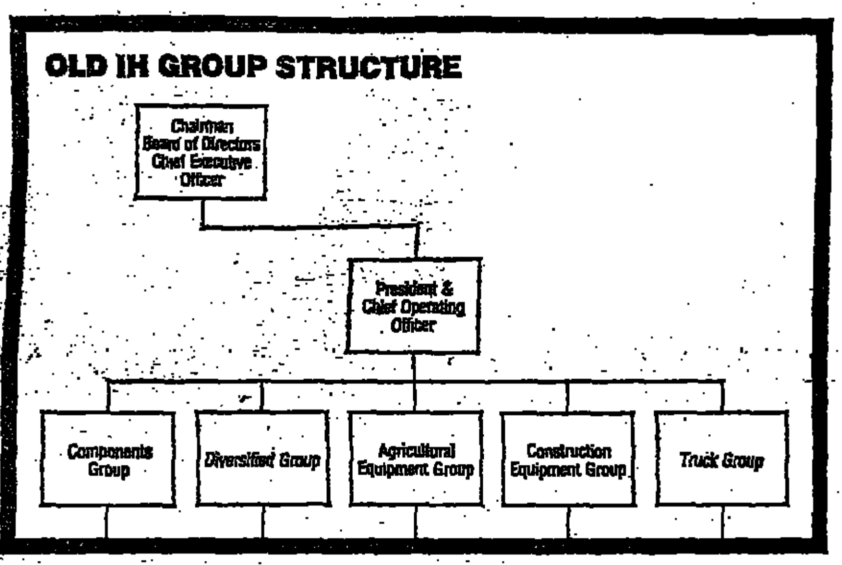
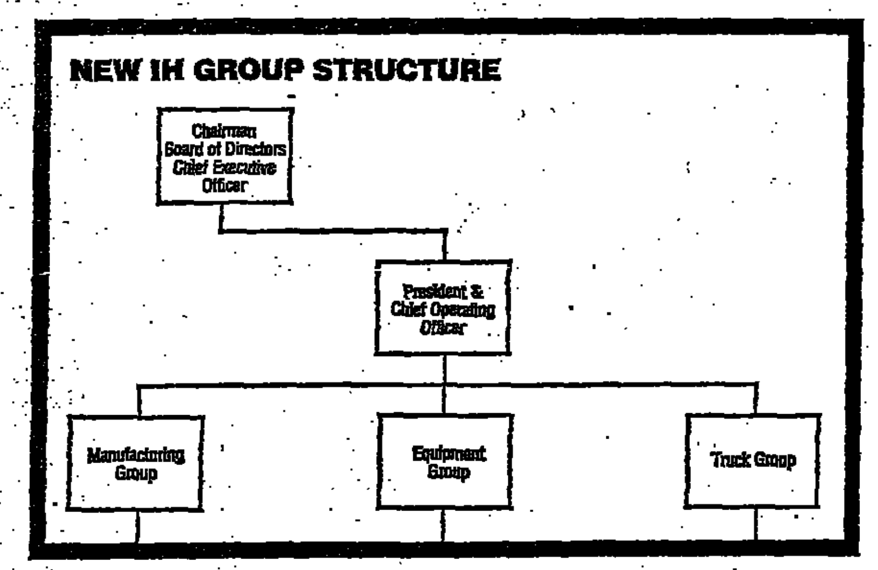
To build on these strengths, and better position IH for the future, a major reorganization is taking place, effective September 9. These charts will show you the major changes at a glance.





What it means is simple: we've eliminated the duplication of many services, skills and facilities that were required to support five separate groups. We've merged the groups into compatible marketing and engineering structures where the people who sell our products and the people who design our products can work best together. And we've centralized our manufacturing operations.

That makes our entire corporation leaner, streamlines the structure, but most important, organizes IH in a way that concentrates on the basics of our business. Our operating structure now consists of three groups: The Manufacturing Group; The Truck Group; and The Equipment Group, which consists of the Agricultural and Construction Equipment product lines.

- New worldwide organization concentrates on basic strengths of IH businesses
- Manufacturing and support functions centralized for more efficiency, ending duplication
- Over U.S. $100 million additional annual savings from these changes
- Other cost reductions ahead of schedule: inventories reduced nearly U.S. $400 million in last nine months
- Annual operating costs reduced over U.S. $800 million since 1977
- Record 51 new products introduced in 1981

27 North American plants will now report to the head of the newly-created Manufacturing Group, rather than to the heads of our old groups. That will mean greater efficiencies in plant and people utilization, and less costly overlap. It also means Manufacturing can respond more rapidly to changes in the market. Both our Truck Group and Equipment Group will concentrate on marketing, sales, product planning and engineering, which is where we've always had strength. Functions such as data processing, engineering services, communications, and human resources, which had been spread among the groups, will now be centralized.

This reorganization is the first step in a 3-year plan designed to make International Harvester significantly more cost effective by trimming overcapacity, eliminating unprofitable product lines, and cutting over U.S. $100 million from overhead costs on an annualized basis.

Capital improvements

A major part of the plan is to make IH the least-cost producer in each of its businesses. To achieve that, a number of steps are being taken. In the period 1979-81, IH will have spent about one billion U.S. dollars on capital improvements, up 83% from U.S. $547 million in the previous three fiscal years. These improvements include automated transfer lines, robots, computerized shop floor monitoring systems, and other state-of-the-art methods.

Cutting costs

Cost reduction programs are another big factor in our 3-year plan. Programs already in place have produced major savings since 1977. Our worldwide workforce has been reduced 25% by closing inefficient facilities and selling off product lines that didn't fit our long-term business goals. In the first nine months of 1981, inventories have already been cut by almost U.S. $400 million, putting us ahead of our schedule. By 1983, major system changes and efficiencies will have cut inventories by one billion U.S. dollars.

To help solve liquidity problems, a financial restructuring program is being worked out with over 200 banks in the U.S. and overseas.

Where do we go from here?

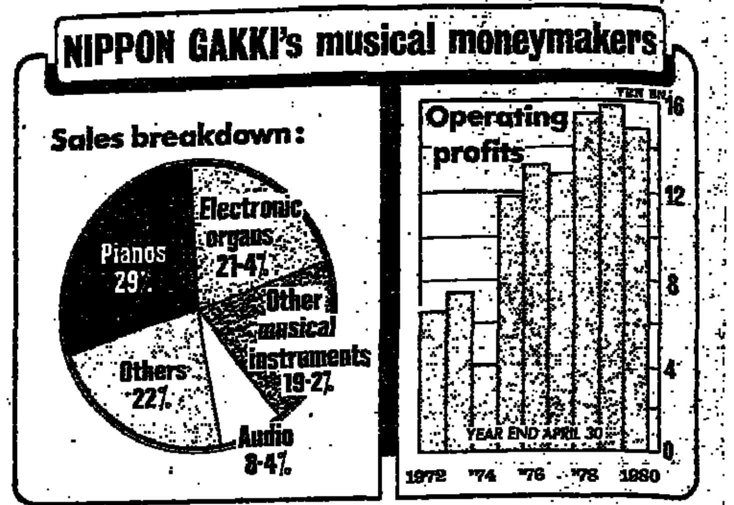
IH is planning for improved profitability. The efficiencies we're building into IH with this reorganization will make it a stronger company in each of the next three years.

IH continues to produce products that are basic to human needs. There will always be a market for these products. Today's actions will help make IH more profitable at serving those markets.

We're building on our strengths.

Yamaha tunes up for a wider audience

The economies of scale which enabled Japan's musical instrument maker to become a world leader have forced it to seek new markets. Charles Smith reports



WHAT DO grand pianos, engine castings for motor cycles and plastic bath tubs have in common? They are all made by a member of the Yamaha group and one of the most diversified companies in Japan.

Nippon Gakki—which means Japan Musical Instruments—is the world's largest musical instruments manufacturer, making 220,000 pianos a year. This is 10 times as many as the biggest European manufacturer and four times the output of the top U.S. producer.

Although Nippon Gakki itself declines to cite any figures some observers believe that Yamaha pianos now account for as much as 20 per cent of all new piano sales in western Europe (including the UK where the Yamaha import agent is the largest UK-based piano manufacturer). Yamaha uprights sell less well in the U.S., apparently because the Americans prefer cheaper instruments, but the company may hold as much as 25 per cent of the U.S. market for grands.

Nippon Gakki also turns out 200,000 wind instruments (equal to a 25 per cent world market share) and about 275,000 electric organs, as well as accordians, guitars and other musical instruments.

In the non-musical field, the company's "Yamaha" brand name appears on skis, archery equipment, tennis rackets, motor boats and furniture, as well as on its famous motorcycles, which are second only to Honda in world market share.

Both Nippon Gakki and the motor cycle company, Yamaha Motor, are involved in most of the more significant leisure activities that have blossomed in Japan in the past couple of decades as well as in some that could do so in the future.

Together they currently turn in combined sales of more than Y700bn (£1.7bn) with Yamaha Motor the slightly larger contributor. In terms of profits, Nippon Gakki's record has been slightly erratic over the past five years although operating profits since 1972 have more than doubled to Y14.9bn (£360m).

The history of Nippon Gakki goes back to 1887 when a medical instruments engineer, Torakusu Yamaha, decided to try and reproduce an American reed organ he had been asked to repair. By 1892 Yamaha was exporting organs to Britain and by 1916 pianos to the U.S., but it was not until after World War II that Nippon Gakki began to make any major impact on what had always been a European-dominated industry. The company emerged from the war with its workshops in ruins but having acquired valuable new expertise in precision wood working through making wood propellers for Japanese war planes.

This, plus a strong determination to make good in the traditional business of instrument making, were about the only assets that Nippon Gakki could boast when Genichi Kawakami took over as president in succession to his father at the beginning of 1950.


Under Genichi Kawakami, Yamaha's Nippon Gakki subsidiary diversified in 1955 from its broad base in pianos, into making the world's first transistorised electric organ. Transistors were replaced by the company's own integrated circuits in the late 1960s

Decline

After a world tour which took in Europe and the U.S., Kawakami came up with two main conclusions about his company's future. One was that the world piano industry was in a state of chronic decline which could only be reversed by a radically new approach to marketing and production. The second was that many of the techniques used for piano manufacture (such as the casting of metal frames, or the chemical processes used for producing the glossy finish on piano cabinets) could easily be used for the manufacture of other products—such as engine parts and leisure goods.

Kawakami's conclusions provided the basis for Nippon Gakki's post-war strategy of introducing a mass production system for pianos in place of the traditional craft system by which pianos were (and still are) manufactured in Europe. It also meant going all out to create a mass market for pianos in Japan through a unique system of musical education which is now known as the "Yamaha method."

According to Yamaha, mass-producing pianos involves a good deal more than simply installing a conveyor belt in place of the traditional system whereby one highly trained craftsman takes charge of a single instrument from start to finish. It means aiming at a far higher degree of vertical integration in components manufacture and much finer manufacturing tolerances on wooden components than have ever been needed before.

Yamaha differs today from the majority of Western piano makers in that it makes not only its own soundboards but also manufactures the mechanism which activates the hammer and helps to determine the piano's sensitivity to individual players.

It puts these and other parts together in three giant computer-controlled assembly plants—the largest of which turns out 600 pianos per day with a labour force of 300. Teruhisa Murakami, Yamaha's senior piano technician, claims that high precision mass production of pianos can more than match the traditional European "craft" approach. He adds, however, that the workers involved have to be trained to believe that they are producing a work of art and not simply a machine.

There is one important side effect of Nippon Gakki's integrated, mass production, approach to piano making which serves to reinforce Kawakami's belief that the company should be making other things besides pianos. A problem arises with economies of scale (or rather the lack of them) in factories producing materials and components solely for use in piano assembly.

In order to make such factories economic, the company found itself forced in the early post-war years to start making other products — for example, motor-cycle engine castings at a site originally established to turn out iron piano frames. The need to "spread the load" was the second main reason why the specialised musical instruments maker turned itself into the highly diversified leisure goods company it is today.

Kawakami says that he originally followed his own fancies in deciding what the company should make besides pianos — "I brought in what I loved," he says. An example was the decision to have Nippon Gakki's chemicals division develop a new fibre-reinforced plastic material for making bows and arrows after Kawakami had been introduced to archery on a foreign business trip.

The development of new technologies, however, soon acquired a momentum of its own. The invention of fibre-reinforced plastic (FRP) and an involvement in the marketing of sports goods led to the manufacture of skis, pleasure boats, and bath tubs, which in turn led to water heaters and other household equipment.

Using its base in pianos as the starting point for musical instruments diversification, Yamaha began work in 1955 on the world's first transistorised electric organ, after Kawakami had made the decision not to follow the American lead of developing vacuum tube organs. Transistors were replaced by integrated circuits in the late 1960s and Nippon Gakki became one of Japan's first makers of microchips for its own exclusive use.

Another vitally important step towards diversification was the decision in the early 1960s to make wind instruments, in spite of having no knowledge of the product. It acquired this by first entering into partnership with and then taking over, an ailing Japanese company, Nippon Kangakki, as well as via a fruitful partnership with an American trumpeter who had retired from orchestral playing in order to make his own instruments. Its first trumpets and flutes were turned out around 1965; today Nippon Gakki claims an annual output of about 200,000 wind instruments, or around 25 per cent of world production.

"There were years when we overspent our development budget by 100 per cent," recalls Makoto Hishinuma, the man who masterminded the early stages of the wind instruments development programme, "but President Kawakami didn't seem to mind."

Nippon Gakki's success in combining quantity with quality, or at least in projecting an image which places heavy stress on the latter, has made it a force in world markets as well as at home. About 50 per cent of wind instrument output is exported—to the evident discomfort of some traditional European makers.

With exports at this level—and with some worrying signs of saturation in the huge Japanese domestic market (where 16-20 per cent of homes now have pianos) — Nippon Gakki could face problems in stepping up its piano output much further. However, the company seems to have new tricks up its sleeve which could help to keep turnover rising steadily.

Non-players

One is a new portable electronic instrument called the "Portasound" which uses the company's IC-technology to produce a sound resembling that of a large sized electronic organ from a three octave keyboard, and which will almost fit into a brief case.

Another idea, on the marketing front, is to start selling musical instruments to hitherto non-playing adults as well as to families with young children, who have been the main target of marketing efforts in the past. Exports of the Portasound could take off as well — although Yamaha has competition in this field from Casio Computer, a Japanese company which specialises in crossing traditional industrial frontiers by turning out almost any small consumer product that operates with integrated circuits.

However, assuming that the Portasound lives up to expectations and piano sales remain static, Nippon Gakki should have no worries in the next few years about maintaining its position as the world's top manufacturer of musical instruments. What may prove to be worrying is the internal leadership structure of the group.

Problems here seem to arise mainly from the dominant personality of Kawakami and the question of whether or not a third generation of the family (in the person of his son, who is now vice-president) will be able to run the company with the flair of the first two generations.

Kawakami took the unprecedented step last summer of reinstating himself as chief executive after having vacated the presidency three years earlier to make room for a successor — ironically the younger brother of the president of Honda Motor — whom he had handpicked personally. The Kawakami "restoration" sent ripples through the entire management structure of Nippon Gakki while at the same time serving to emphasise the ascendancy of one man in what today is one of Japan's larger public companies.

Whether this ascendancy has become a liability or is still an asset could prove to be the most crucially important question about Nippon Gakki's future.

Small company services all under one roof

ALL-ROUND experience is a rare commodity among small businessmen. While marketing or some technical expertise may be the forte of the founder of a company, financial or administrative talent may be wanting. This becomes particularly significant if expansion is achieved at a pace that demands tight control of the different elements of the business.

This point was highlighted this week by John Macgregor, the Industry Minister with special responsibility for small firms, when he said that one of the "most significant" things that had struck him in the eight months since he took on his present post was the lack of marketing expertise among small companies. Another thing often missing was financial expertise and an ability to put forward proposals in a manner which was clear and understandable to banks.

The Minister, who spends a considerable amount of his time visiting small firms and speaking at seminars and conferences aimed at generating a greater understanding of the problems that this sector faces and the services that are open to it, made his remarks when opening what is claimed to be the first "small business centre" in the UK.

Based in London, the centre is designed to pull together a range of services from marketing and insurance to financial services (such as leasing and hire purchase), training and product development.

The centre is the brainchild of Commercial Credit Services, the financial services arm of Control Data Corporation, the U.S. computer group. It has already established a network of business centres in the U.S. Preparation for the UK launch has taken place over the past two years and CCS now claims that it can provide under one roof and at an affordable cost a range of services that small businessman frequently argue are too expensive. It plans to set up further centres in the UK.

What CCL has done is to combine its own services in such areas as computers, invoice discounting and leasing, with those of Sedgwick UK (for employee benefit and insurance services) and Price Waterhouse (accountancy). Additionally, Cranfield Institute of Technology will be providing input in such areas as market research, product design, product engineering and marketing.

CCL's approach is to provide a centre at which any small businessman can discuss—at no charge—what plans he has in mind for his company and to get advice on where the centre can provide assistance and at what cost. Part of the competitive pricing that CCL is aiming to achieve is based upon its achieving economies of scale in such areas as insurance—that is, buying insurance for a range of small companies rather than just one at a time.

Stressing the point about the important part that small businesses play in the economy—though not ascribing to the argument that they are the "sole panacea" for regenerating an industrial revival—Macgregor said that while bankruptcies had been showing an increase in this country there were a great many people setting out in business today by coming out of large firms, making management buy-outs and setting up on their own. Though figures on the numbers of new businesses were not totally reliable "I suspect that it is more than bankruptcies," he said.

Small Business Centre, Control Data House, 179-199 Shaftesbury Avenue, London WC2.

Nicholas Leslie

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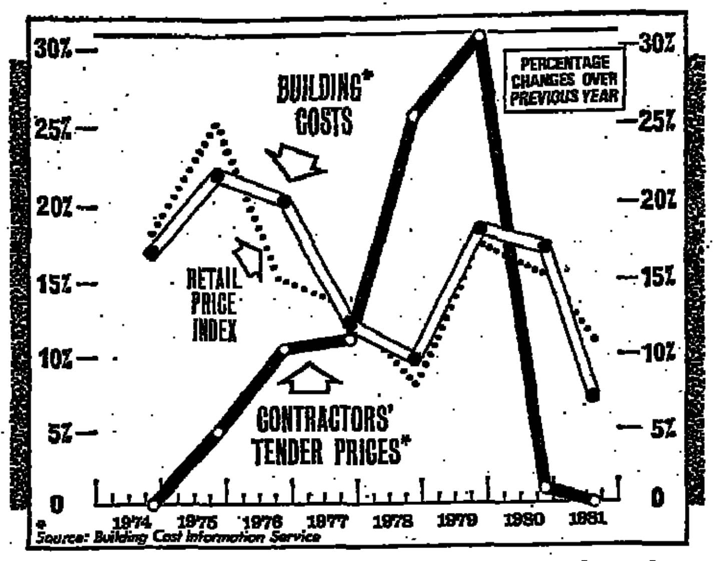
THE PROPERTY MARKET BY ANDREW TAYLOR

Building costs squeeze

THIS WEEK'S renewed surge in the cost of development finance comes at a time when building tender prices being quoted to developers are at their lowest level; in real terms, for more than two years.

With the construction industry in the middle of one of the deepest recessions since the 1930s contractors and sub-contractors have been cutting margins to the limits of profitability, in a bid to win new work and maintain cash flows. Competition for new development schemes is intense.

A study of building costs by the Royal Institution of Chartered Surveyors reveals that contractors' tender prices are now back to levels prevailing in the fourth quarter of 1979.



* Source: Building Cost Information Service

Figures produced by the institution's Building Costs Information Service show that contractors' tender prices have fallen by about 5 per cent since the third quarter of 1980 (although more recently prices have begun to rise again as increases in material costs begin to work their way through to the building site).

Contractors' tender prices are thought to have risen by around 3 per cent since the low point reached in the first quarter of this year. However the Building Costs Information Service (BCIS) says that this does not reflect any lessening in competition for work but more the effect of price rises elsewhere.

According to BCIS, building material price increases during the first half of this year were running at an annual rate of around 10 per cent, compared with an annual rate of about 5 per cent during the second half of 1980.

It now seems likely that building costs will continue to increase in line with inflation as materials producers pass on higher overheads such as energy costs to the builder.

Nevertheless, building costs are now rising more slowly than at any stage since the mid-1970s. So far this year the BCIS building costs index—as distinct from its tender price index—has risen by just over 7 per cent. This compares with annual rates of increase in building costs of more than 17 per cent in 1979 and 1980.

On current projections, building costs may increase by around 9½ per cent this year while the tender prices might be expected to rise by *around 4 per cent*. This would still leave tender prices below levels being quoted in the third quarter of 1980.

Leading firms of property agents have certainly been surprised at some of the prices *quoted by hard pressed contractors* over the past 12 months.

"Prices have been well below the projections of quantity surveyors and it would appear that some contractors are 'buying work' at very low, or even non-existent margins—just to keep labour forces and plant intact," said one firm of agents.

Chartered surveyors warn that some of the cut price tenders now being quoted may, however, bear little relationship to the final cost of a project—"as contractors seek to push up margins through hidden extras that arise once construction is under way." Some surveyors say that this could lead to an upsurge in contested claims for payment as *projects near completion.*

Meanwhile if developers are prepared to wear the current high cost of borrowing, the present might be as good a time as any to start building and beat what could be a rush when con*ditions improve.*

British Land locks into new funds

BRITISH LAND added to the vocabulary of property company finance directors this week when it announced the terms of its new "droplock debenture option" giving the company the right to raise £30m of long-term finance, at fixed rates, over the next 10 years.

The property group's timing could hardly have been more apposite with the announcement *of the new funding scheme* coming just 24 hours after the Bank of England had moved to push up short-term interest rates.

British Land's version of the droplock—orchestrated by financial advisers *James Capel* and Guinness Mahon—would appear to have a great deal of attraction for property companies seeking long-term fixed-rate finance which, in British Land's case, could cost them just under 10 *per cent.*

Under the terms of the deal, British Land has agreed an option with 29 UK institutions to raise at least £30m in two tranches over the next decade. Only if interest rates fall below a certain level will the property group be compelled to take up its options.

If this were to happen British Land would be paying a yield of 9.97 per cent for its funds—after allowing for a small discount on the issue of the debenture stock. Once the option is triggered, the interest rate remains fixed over the 43-year life of the loan.

British Land can itself trigger the option before interest rates fall below stipulated levels. In this case the return on the stock would be fixed to give a yield of 1.2 percentage points above the then highest yielding government stock with a maturity of 15 years. Once fixed, the coupon would again not alter during the *life of the loan.*

John Ritblat says that the deal has several major advantages: "First, any property company should be attracted to a scheme which provides long-term finance at potentially just under 10 per cent—*particularly in the present* climate—and with no dilution of equity.

"Moreover, if interest rates do not fall sufficiently to trigger the option we can voluntarily draw the funds at a time of our own choosing, provided we draw the first tranche of £10m within the next six years."

Just as importantly, British Land has moved to the front of the queue for long-term corporate financing—a queue which *seems likely to form once the* economy begins to recover and interest rates recede from the present levels.

The deal also gives the group the option to refinance its £21m debenture loan due to mature in 1987 and on which British Land is currently paying 15 per cent. Both the new option stock—if issued—and the existing debenture loan are secured on British Land's Plantation House office block currently valued at around £100m.

Other property companies are also looking at the possibility of launching similar fund-raising schemes but whether they will be able to achieve similarly favourable terms remains to be seen.

The CBI's new tenants

THE Confederation of British Industry may ease some of its cash problems with the recent sub-letting of three floors at its Centre Point headquarters in London.

The three floors, totalling around 13,000 sq ft, are surplus to the CBI's requirements and have been let to Sperry Univac of the U.S.

The CBI yesterday declined to disclose details of its new letting but Sperry Univac is understood to have agreed a rent of £15.50 a square foot for its *new offices. Jones Lang Wootton* represented the CBI in the letting.

The CBI, which moved into its Centre Point headquarters last year, is understood to be paying a rent of around £8 to £8.50 a square foot for its *accommodation.* However, in addition to rental costs the CBI has also had to pay a substantial sum to refurbish and equip its new offices.

Earlier this year the CBI disclosed that it had made an operating loss of £374,000 in 1980. However, after taking account of the sale of the lease of its former headquarters in Tothill Street, Westminster, the CBI was left with a net surplus of £2.27m. Nevertheless the organisation is concerned about the level of rising costs and in May this year announced staff cuts at Centre Point. It said rising rates bills had contributed to the staff cuts.

Hillier Parker looks to the Continent

BRITISH ESTATE agents and *chartered* surveyors are continuing to expand their overseas commercial property operations. Hillier Parker May and Rowden, which already has interests in the U.S. and Australia, is now breaking new ground in Europe.

The agents are joining forces with five other European property consultancy firms to form a new commercial property service: "European Commercial Property Association."

The other firms in the consortium are: Bourdais from France; M I. van Engelen, *Holland; Gabetti* from Italy; Compagnie Immobiliere de Belgique and Aengevelt-Immobilien KG from Germany.

● General Accident Fire and Life Assurance has paid more than £5m to acquire a major new industrial investment in Crawley. General Accident has bought two industrial buildings, totalling nearly 80,000 sq ft on a 6.4 acre site at the junction of the A23 and Fleming Way. The developer was Slough Estates and the premises are let to British Caledonian Airways and American Airlines Training Corporation. General Accident were advised by Strutt and Parker and Donaldsons, while Healey and Baker acted for Slough Estates.

● American Express International Banking Corporation has acquired some new London offices on the eighth floor of Southside, Victoria Street, part of the Army and Navy store. The 7,516 sq ft offices are to be used as a regional headquarters for the banking division.

The accommodation has been taken by way of an assignment of the existing lease, held by Schlesinger Investment Management Services. The current annual rental is almost £113,000 with a review due in 1983. Debenham Tewson and Chinnocks acted for Schlesinger while Johnson Wright and Anthony Lipton acted for American Express.

● J. L. Development Services part of the John Laing group and British Rail Pension Fund are jointly undertaking a new industrial/warehouse development at the former Royal Army Ordnance depot site at Feltham, Middlesex.

The centre is being developed in three phases with the pension fund retaining the first two phases totalling about 152,000 sq ft of industrial accommodation. The third parcel of land, around 4.2 acres will be retained for development by J. L. Development Services.

● Taylor Woodrow Property Company has sold the freehold of its Canford Heath shopping centre, Poole, to London Shop Property Trust. The asking price was just under £500,000.

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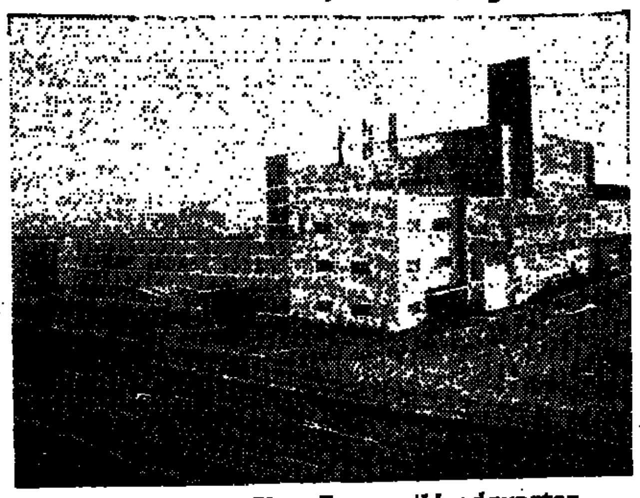

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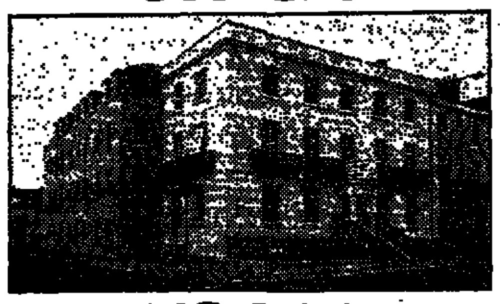

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491	514	548	586	655	700	728	757	781	800
821	844	884	953	990	1028	1073	1110	1173	1183
1219	1276	1283	1305	1319	1333	1345	1430	1481	1510
1535	1566	1583	1602	1680	1703	1734	1754	1772	1783
1815	1848	1878	1926	1955	1993	2031	2082	2144	2171
2199	2208	2236	2262	2282	2316	2325	2389	2405	2433
2473	2497	2555	2622	2677	2701	2725	2746	2629	2659
2900	2919	2960	2982	3011	3027	3058	3074	3100	3131
3158	3238	3292	3325	3356	3405	3415	3432	3470	3512
3549	3567	3591	3623	3641	3682	3746	3792	3820	3849
3893	3901	3918	3962	4000	4068	4092	4145	4179	4198
4229	4300	4326	4356	4397	4416	4481	4533	4572	4594
4605	4629	4654	4674	4695	4724	4744	4786	4837	4886
4911	4916	4960	4972	5018	5104	5125	5175	5199	5225
5244	5266	5284	5311	5365	5405	5472	5506	5538	5599
5635	5672	5695	5735	5767	5797	5811	5857	5940	5970
5995	6015	6037	6070	6081	6107	6121	6148	6179	6201
6223	6242	6260	6347	6388	6444	6471	6491	6527	6560
6574	6648	6676	6697	6717	6743	6794	6850	6869	6899
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£283,000 nominal Bonds will remain outstanding after 1st October, 1981.

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Due 1st October, 1975
£100 Bonds 2734

Due 1st April, 1977
£100 Bonds 3056 4316

Due 1st October, 1977
£100 Bonds 5016

Due 1st April, 1978
£100 Bonds 4830

Due 1st October 1979

£100 Bonds	138	1163	2311	2436	3010	3061	3117
	3489	4503	4583	4624	4887	4954	5197
	5544	6983					

Due 1st April, 1980

£100 Bonds	775	869	1181	1518	1820	2600	2733
	5231	5655	6019	6106	6699		

Due 1st October, 1980

£100 Bonds	43	112	198	440	547	714	772
	785	861	1523	1553	1582	1612	1863
	1909	2011	2201	2395	2422	2544	2922
	2968	3021	3055	3316	3352	3484	3542
	3884	3947	4203	4314	4388	4742	4767
	4966	5103	5491	5533	5707	5740	5855
	5975	6123	6361	6449	6489	6531	6575
	6687	6852	6981	7131			
£500 Bonds	7503	7992					

Due 1st April, 1981

£100 Bonds	10	40	153	189	553	707	780
	799	894	930	1068	1105	1217	1498
	1522	1538	1614	1685	1717	1773	1786
	1817	1864	1929	2093	2127	2198	2260
	2304	2398	2424	2491	2531	2588	2644
	2739	2845	3059	3239	3288	3324	3403
	3434	3585	3635	3676	3729	3896	3949
	3992	4030	4163	4186	4205	4255	4367
	4487	4581	4663	4675	4696	4748	4918
	4975	5117	5238	5252	5392	5504	5529
	5543	5630	5662	5685	5710	5789	5802
	5826	5875	5982	6074	6183	6348	6435
	6467	6540	6675	6765	6865	6942	7125
£500 Bonds	7277	7698	8069				
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18th September, 1981

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LOMBARD

The reward for a social contract

BY ANATOLE KALETSKY

AFTER BEING ridiculed and ignored for two years by politicians, incomes policies and pay norms are starting to be taken seriously again right across the political spectrum.

Starting from the left, the TUC unfortunately has to be taken as a proxy for the Labour Party which is too busy tearing itself apart to think about policy. If any issue could be said to have been debated seriously amid the intriguing of last week's TUC conference, then it was the question of whether to co-operate on pay with a future Labour Government.

The Liberals, the only political group to stick through thick and thin to the idea of planned pay bargaining backed by new forms of industrial democracy, are no longer crying in the wilderness. Although their Social Democrat allies try to stay on the fence in the policy papers published last weekend by saying only that "it may be necessary to consider some sort of formal incomes policy," they are forced to add only a paragraph later:

"At the very least we will probably need an open discussion of the options . . . a more structured approach in the public sector and a policy for the big trend-setting companies in the private sector."

To cap it all, the first action of Mrs Thatcher's new Cabinet of *born-again monetarist purity* has been to impose a 4 per cent "pay factor" on pay increases in the public services from now on.

Thus, after two years wasted *in bewailing the appalling* losses caused by the way that incomes policies have distorted the elegant workings of perfect market forces (without ever comparing these losses with the wholesale industrial carnage resulting from the present free market approach), it is time for economists and politicians to think seriously again about how better incomes policies can be constructed and about why they have failed in the past.

One important lesson from the last Labour Government's experience, which I discussed last week, is that voluntary agreements with unions are unlikely to work, at least if the voluntarism is based on unions giving away workers' bargaining rights in exchange for an accretion of political power to union leaders or union conferences. This kind of power broking is more likely to alienate shop floor workers from an incomes policy than to enthuse them.

However, this observation in no way detracts from the true ideal of a "social contract." A real social contract is an agreement made between the people in a country and their government, not between the government and a number of powerful interest groups. In the context of an incomes policy, the Government would ask the electorate to accept some form of pay restraint. In exchange it would offer the people some defined benefit which pay restraint would enable the *government to provide.*

A socialist government might offer better social provision, education and health services or tangible moves towards some genuine form of industrial democracy. A conservative government might promise sizeable tax cuts or it might seek popular support for a stronger British role in world affairs.

Promise

These differences in aspirations are the very stuff of politics. But what any government *must accept* is that if people are asked to accept reductions in their real living *standards, the size of these reductions* must be commensurate with the rewards which the government holds out and with the likelihood of these rewards being achieved.

The Labour Government ignored this principle in 1978, when it attempted to impose a three or four per cent real wage cut without convincing anybody except a few union leaders that this would benefit the nation. Now this applies *a fortiori* to Mrs Thatcher.

In exchange for a large reduction in living standards she offers only the promise that the policies of the past two years will be pursued more relentlessly than ever. She gives her personal assurance that if the pay restraint she is demanding is achieved, Britain will enter a new age of prosperity at some *time in the indefinite future.* But as her economic strategy unfolds, these assurances become steadily less persuasive.

A double life in East Anglia

BY PETER CARTWRIGHT

AROUND BRITAIN

KING'S LYNN

KING'S LYNN, a 12th century East Anglian town, which nestles beside the Great Ouse where it runs into the Wash, leads a double life. Both are of unassailable rectitude.

While *hankering after* the life bequeathed to it by the great medieval merchant princes, the town is trying to discharge its responsibilities as the industrial mainspring of 600 square miles of West Norfolk, embracing 100 villages. Some 120,000 people live in the area, but the supermarkets and stores will tell you that their catchment area is 25 per cent wider.

Two years ago it had seemed as if the wide range of enterprises, from roll-on, roll-off cargoes in the docks to engineering, food preparation and packing, glassware, sugar refining and agricultural engineering in the hinterland, would immunise the area from the recession.

As late as October 1979 the King's Lynn and West Norfolk Council went to South Shields in Tyne and Wear to look for skilled men. The official title of its campaign was "Skill-match"; unofficially, it was called the "Geordie scheme." More than 40 skilled men came south to live in homes provided *by the council.*

A *few* weeks later, the food processing industry, which had long suffered from over-capacity, contracted. Within a short time seven of the East Anglian factories canning vegetables and fruit were closed. In many households both breadwinners lost their jobs. Inevitably, the fall-out had a knock-on effect on other industries supporting agricultural and local manufacturing activities.

Within the council's area, some 6,200 people are now without jobs. Unions and management tacitly acknowledge that, since many traditional methods of working have been abandoned to achieve higher productivity significantly fewer workers will be needed for the *same output when the* economy recovers.

Outside food processing, one of the first closures — and least expected — was at Dynatron, where 390 people used to make *cabinets* for music centres and other hi-fi equipment. Nearly half the employees were men-and-wife teams. Two out of three of those who lost their jobs last November are still without work.

Within a year the unemployed total in the area has doubled, to 13 per cent of the population. In King's Lynn itself, 3,148 people, or 12.5 per cent of the working population, were without jobs at the July count. Of these, one in five was under the age of 19.

First, the factory workers were laid off; then the staff, from managing directors to cleaners. In West Norfolk 90 professionally qualified people are now looking for jobs and their chances of success must be considered remote.

"We are fast approaching the status of an assisted area, but without hope of being designated one," says Mr David Forster, manager of the Manpower Services office.

King's Lynn became an overflow town for Greater London in 1962 and largely as a result, gained some 70 new companies. But five years ago the GLC switched its emphasis from *relocating its overspill to inner* city development. Now King's Lynn has to compete for new industry with Peterborough, which is *34* miles away, and Corby, in Northamptonshire. Both, as new towns, can offer substantial government-backed inducements.

One of five places of outstanding merit recognised by the Department of the Environment, King's Lynn has many buildings of great historic interest *along its riverbank.* Victoriana can be sought amid the pedestrian precincts of the modernised shopping centre. But many early buildings have been demolished to make way for 58 new shops.

Since 1955, a preservation trust has been active in the town. It has had considerable success but is obviously at loggerheads with the council. The first sentence of its booklet, outlining its origin and aims, *states:* "Hampton Court, Nelson Street, a dilapidated, medieval property, was on the market in 1955. The owners tried to interest the (then) borough council, but they were not prepared to be involved . . ."

The trust's 1977 report criticised "the demolition of entire streets of 19th century houses," properties acquired by the local authority or others, allowed to become vacant and then "vandalised to the point where the owner can argue that demolition is the only *feasible* course."

The report adds: "A compliant authority easily convinces itself and the public that the destruction of one more building will hardly be noticed. The trust can find no kinder description of this piecemeal assault than civic vandalism."

Patron of both the trust and of the King's Lynn Festival is the Queen Mother. She is an active supporter of the festival, far more so than many townsfolk. The *festival* is in its 32*nd* year and has achieved wide fame, attracting visitors from all over the world. Its current artistic directors are Dame Janet Baker and Sir Keith Falkner.

But the festival does not cut much ice among the townsfolk. "Too county," they say, "all white shirts and black ties." Sandringham is just up the road.

All the same, the locals have taken the initiative in retaining and developing the historic and cultural aspects of King's Lynn. Perhaps if town and county saw eye to eye more, they would attract more than the 10,000 tourists a year—and more industry—to a uniquely attractive part of Britain.

Chris Walker

Murillo all set for a come-back

RACING
BY DOMINIC WIGAN

DESPITE Lester Piggott's presence in Berkshire today for an interesting programme at Newbury where he steps into the breach for Guy Harwood, the day's best racing is at Ayr.

Scotland's premier course stages the £25,000 added Ladbroke's Ayr Gold Cup and that always competitive sprint is supported by good races for both the Weir Memorial Trophy and the Ladbrokes Leisure Nursery.

Twenty-three have been *declared for the afternoon's big* sprint and the race (regrettably and inexplicably a third consecutive event on the card over six furlongs) looks as wide open as ever with claims held by all.

Although I have a healthy respect here for Sparkling Boy, who will be bidding to repeat his success of a year ago *for* Paul Kelleway and John Lowe, both he and Rabdan's five lengths Victoria Cup conqueror, Columnist, look to have too much to do under 9st 8 lb and 10 st respectively.

Better prospects to my mind are Murillo and Flower. Murillo, a winner here at Newcastle and Kempton already this season, has been finding formidable weight proving too much for him of late and at Newmarket last month could finish only *fifth when attempting to defy* 10 st in the Playboy Handicap.

However, the Windjammer gelding was beaten less than four lengths there by the winner, Kiss, to whom he was *trying to concede 29 lb, and* his chance must be respected off 8 st 11 lb.

On ground more to his liking than the fast surface he tackled on the July course, I take Murillo to reverse placings with the fourth-placed Shayboob whom he meets on idential terms for a neck beating.

Murillo, who should be more identifiable than most through his always-bandaged off four, is just *preferred to last August's* Northumberland sprint trophy winner, Flower. She, too, is better handicapped than might have been anticipated.

Ben Hambury, without a representative in the Ayr Gold Cup, must be hopeful of winning both the Weir memorial trophy and the Kintyre stakes. I believe that Illini will land hi min the Weir race, but that *Crathie could find the rangy* auction ring filly, Round Dance too good in the Kintyre.

AYR

2.00—Rosanati
2.30—Prevail
3.05—Murillo
3.40—Illini
4.10—Halsbury
4.40—Round Dance***

NEWBURY

2.30—Main Royal*
3.00—Hayakaze**

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra High Frequency) only). 10.55 Ryder Cup Golf: Great Britain and Europe v the United States. 12.45 pm News After Noon. 1.12 Regional News for England (except London). 1.15 Pebble Mill at One. 2.00 Chigley. 2.15 Tom and Jerry. 2.30 Ryder Cup Golf. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Heyyy, It's the King. 4.30 Puzzle Trail. 4.45 The Space Sentinels. 5.05 Rentaghost. 5.35 Willo the Wisp.

5.40 News.
6.00 Regional News Magazines.
6.22 *Nationwide.*
6.45 Sportswide.
7.00 It's a Knockout.
8.15 Rosie.
8.45 Points of View.
9.00 News.
9.25 *Knots Landing.*
10.15 Face the Music (London and South East only).
10.45 News. Headlines.
10.50 Ryder Cup Golf.
11.30 The Late Film: "Story of a Woman" starring Robert Stack.

All Regions as BBC1 except as follows:

Cymru/Wales—1.12-1.25 pm News of Wales. 2.00-2.15 Bys a bawd. *5.05-5.35 Gari Gylifer.* 6.00-6.22 Wales Today. 7.00 Heddiw. 7.15-8.15 Y tasmaniad ola'. 10.15 Western Welsh. 10.45-10.50 News for Wales. National News.

Scotland—1.09-1.15 pm The Scottish News. 6.00-6.22 Reporting Scotland. 10.15 The Beechgrove Garden. 10.45-10.50 News for Scotland. National News.

Northern Ireland—1.12-1.15 pm Northern Ireland News. 3.53-3.55 Northern Ireland News. 6.00-6.22 Scene Around Six. 10.15 Make Mine Country. 10.45-10.50 News for Northern Ireland, National News. 1.05 am News and Weather for Northern Ireland.

England—6.00-6.22 pm Look East (Norwich); Look North *(Leeds)*; Look North (Newcastle): Look North West (Manchester); Midlands Today (Birmingham); Nationwide (London and South East); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 10.15-10.45 East (Norwich)—Weekend; Midlands (Birmingham) — Dennis McCarthy's Weekly Echo; North (Leeds)—The Lancaster Legend: North East (Newcastle)—*The Great North Row;* North West (Manchester) Home Ground: South (Southampton) — The Writers' Programme; South West (Plymouth)—That's Rich; West (Bristol)—Public Life: "Which Way the Liberals?"

BBC 2

6.40-7.55 am Open University.
9.30 Liberal Party Assembly.
11.00 Play School.
11.25-12.30 pm Liberal Party Assembly.
2.15 Racing from Newbury.
3.15 Liberal Party Assembly.
4.25 Ryder Cup Golf: Great Britain and Europe v the United States.
4.50 Open University.
6.55 News Summary with subtitles.
6.57 Leeds International Piano Competition: The Finals, Part 1.
9.15 Romer's Egypt.
9.55 Revolting Women.
10.20 Jack High.
10.50 Newsnight and Liberal Assembly Report.
†11.45 Laurel and Hardy in "Thicker Than Water."

LONDON

9.30 am The Bubblies. 9.35 Vanishing Africa. 11.05 Bracken. 12.00 A Handful of Songs. 12.10 pm Once Upon a Time. 12.30 Women Rule OK! 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 Houseparty. 2.25 Racing from Ayr. 3.15 Liberal Party Assembly. 4.15 Much Ado About Nutting. 4.20 Storybook International. 4.45 Ad Lib. 5.15 Sale of the Century.

5.45 News.
6.00 Thames News.
6.30 Thames Sport.
7.00 The Amazing Spiderman.
8.00 Roots.
8.30 Kinvig.
9.00 Beat the Carrott starring Jasper Carrott, from the London Palladium.
10.00 News.
10.30 Soap.
11.00 Snooker: Jameson International Open Championship.
12.00 Stars On Ice.
12.30 am Close: Personal Choice with Katharine Whitehorn.

All IBA Regions as London except at the following times:

ANGLIA

9.30 am Larry the Lamb. 9.40 Friends of My Friends. 10.05 Young Ramsay. 10.55 Cartoon Time. 11.10 Pro-Celebrity Darts. 11.40 Razzmatazz. 1.20 pm Anglia News. 5.15 Bygones. 6.00 About Anglia. 10.30 Side by *Swinfield.* 12.00 *Anglia Late* News. 12.05 am Friday Late Film, "Pearl of the South Pacific, starring Virginia Mayo. 1.40 Modern Missionaries.

ATV

9.45 am Something *Different.* 10.00 The Wild, *Wild World of Animals.* 10.20 George Hamilton IV. 10.45 In Focus. 11.10 In Search of . . . 11.40 Razzmatazz. 1.20 pm ATV News. 6.00 ATV Today including ATV Sport. 10.30 Snooker: Jameson International Open Championship. 12.00 ATV News.

BORDER

9.35 am Larry the Lamb. 9.45 Sesame Street. 10.45 Bailey's Bird. 11.10 Survival. 11.40 Razzmatazz. 1.20 pm Border News. 6.00 Lookaround Friday. 6.30 Enterprise (Tube Investments). 10.30 Snooker: Jameson International Open Championship. 12.00 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where. 6.00 Channel Report. 6.30 What's on Where. 6.35 The Guernsey Prison. 10.28 Channel Late News. 10.34 Jameson International Open Snooker Championship. 12.00 News and Weather in French.

GRAMPIAN

9.45 am First Thing. 9.50 Friday Film: "Moon Zero Two." 11.25 Cartoon. 11.40 Razzmatazz. 1.20 pm North News. 6.00 North Tonight. 10.30 *Snooker: Jameson International* Open Championship. 12.00 Wild, Wild World of Animals. 12.30 am North Headlines and Road Report.

GRANADA

9.30 am A Big Country. 10.00 European Folk Tales. 10.10 Razzmatazz. 10.30 *Comic Stories.* 10.35 *The Flying* Kid. 11.00 Sesame Street. 1.20 pm Granada Reports. 6.00 Granada Reports. 6.30 Kick-Off. 10.30 Union World. 12.00 The Late Film: Susan George in "Die Screaming Marianne."

HTV

9.50 am *Razzmatazz.* 10.10 Beachcombers. 10.35 The Entertainers. 11.00 Sesame Street. 1.20 pm HTV News. 6.00 Report West. 6.30 Laverne and Shirley. 10.28 HTV News. 10.30 Report Extra.

HTV Cymru/Wales—As HTV West except:—12.00-12.10 pm Ffalabalam. 4.15-4.45 Y Gwalch Glas. 6.00 Y Dydd. 6.15-6.30 Report Wales. 10.30-11.00 Outlook.

SCOTTISH

9.55 am Portrait of a Village. 10.20 Finnish Nature. 10.30 Young Ramsay. 11.20 The Duna Bull. 11.50 Larry the Lamb in Toytown. 1.20 pm News Headlines and Road Report. 5.15 Emmerdale Farm. 6.00 Scotland Today. 6.25 Sports Extra. 6.45 Hear Here. 10.30 Jameson International British Open Snooker Championship. 12.00 Late Call.

SOUTHERN

9.35 am Focus on Wildlife. 10.00 "Young and Innocent." 11.20 European Folk Tales. 11.40 Razzmatazz 1.20 pm Southern News. 6.00 Day by Day 6.00 Scene South East (South East Area only). 6.30 Survival 10.30 Snooker: Jameson International Open Championship.

TYNE TEES

9.30 am The Good Word. 9.25 North East News. 9.30 The History of the Motor Car. 9.50 George Hamilton IV. 10.15 Bailey's Bird. 10.35 Sesame Street. 11.40 Razzmatazz. 1.20 pm North *East News and Lookaround.* 5.15 Mickey, Donald, Pluto and Friends. 6.00 North East News. 6.02 Sportstime. 6.30 Northern Life. 10.30 North East News. 10.32 Jameson International Open Snooker Championship. 12.00 Paris by Night. 12.30 am Anglican Consultative Council.

WESTWARD

9.35 am Sesame Street. 10.35 Vicky the Viking. 11.00 Knossos Lost Capital of Atlantis. 11.55 Wattoo Wattoo. 12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 6.00 Westward Diary. 10.32 Westward Late *News.* 10.34 *Jameson International* Open Snooker Championship. 12.00 Faith for Life. 12.05 am West Country Weather and Shipping Forecast.

YORKSHIRE

9.30 am Larry the Lamb. 9.40 The Amazing Years of Cinema. 10.05 Young Ramsay. 11.00 Razzmatazz. 11.25 Welcome Back, Kotter. 11.55 Wattoo Wattoo. 1.20 pm Calendar News. 6.00 Calendar (Emley Moor and Belmont editions). 6.30 Calendar Sport. 10.30 Snooker. 12.00 Superstar Profile.

(S) Stereophonic broadcast
‡ *Medium wave*

RADIO 1

5.00 am As Radio 2. 7.00 Steve Wright. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell. 5.30 Newsbeat. 5.45 Roundtable. 7.30 Anne Nightingale. 10.00-12.00 The Friday Rock Show (S).

RADIO 2

5.00 am Steve Jones (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S). 2.00 pm Ed Stewart (S) *including Racing from Ayr.* 4.00 David Hamilton (S). 5.45 News, Sport. 8.00 Don Durbridge with Much More Music (S). 8.00 Friday Night Is Music Night (S). 9.55 Sports Desk. 10.00 The Grumbleweeds. 10.30 The Bing Crosby Show. 11.00 Peter Clayton with Round Midnight. 1.00 am Truckers' Hour (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.0 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Thomas Tallis (S). 9.45 Jean-Philippe Collard piano recital (S). 10.30 Aeolian String Quartet (S). 11.55 BBC Scottish Symphony Orchestra, concert, part 1 (S). *1.00 pm News.* 1.05 Concert, part 2 (S) 1.40 Syntagma Musicum of Amsterdam (S). 3.00 Barbara Gorzynska, violin and piano recital (S). 4.00 Choral Evensong (S). 4.55 News. 5.00 Mainly for Pleasure (S). 6.55 Play It Again (S). 7.00 Schumann (S). 7.15 "The Cunning Little Vixen" (S): Opera in three acts by Janacek. Welsh National Opera production, from the New Theatre, Cardiff (sung in English) Acts 1 and 2. 8.20 Phyllis and Ogden. 8.45 "The Cunning Little Vixen" (S): Act 3. 9.15 Poor Embarrassed Reptile. 9.45 Interpretation on *Record (S).* 10.30 Anton Rubinstein (S). 11.00 News. 11.05-11.15 Hesperion XX (S).

VHF only—Open University: 5.55-6.55 am and 11.15 pm-12.55 am.

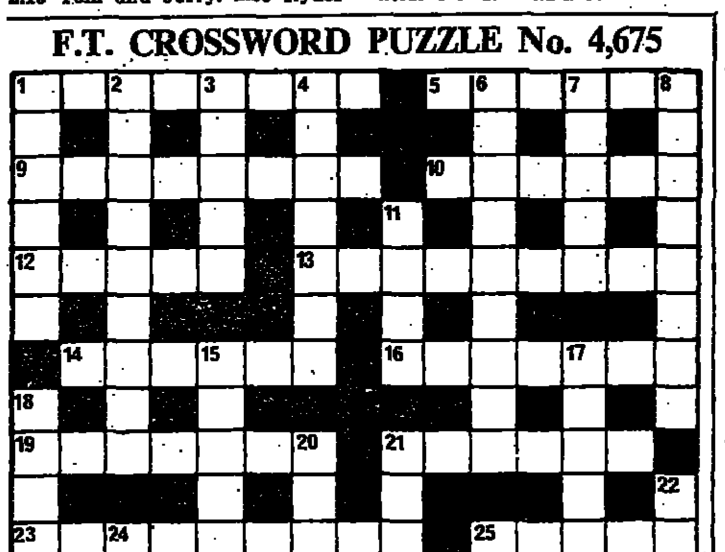
RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today. 8.45 Seven Graham Green Short Stories. 9.00 News. 9.05 Desert Island Discs (S). 9.45 A Sideways Look at . . . by Anthony Smith. 10.00 News. 10.02 International Assignment. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Mutiny at Invergordon (S). 11.50 Natural Selection. 12.00 News. 12.02 pm You and Yours. 12.27 The Year in Question. 12.55 Weather: Programme News. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S) 4.05 Weigh-in. 4.15 Morality. 4.45 Wodehouse: "The Luck of the Bodkins." 5.00 PM News Magazine. 5.50 *Shipping Forecast.* 5.55 Weather: Programme News. 6.00 News, including Financial Report. 6.30 Going Places. 7.00 News. 7.05 The Archers. 7.20 Pick of the Week (S). 8.10 Profile. 8.30 Any Questions? 9.15 Letter from America by Alistair Cooke. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. *10.35 Week Ending* (S). 11.00 A Book at Bedtime: "Confessions of Felix Krull, Confidence Man" by Thomas Mann. 11.15 The Financial World Tonight. 11.30 On Rising Before Day (Frank Delaney makes a literary pilgrimage to Italy). 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 The Robbie Vincent Telephone Programme. 12.30 pm London News Desk. 12.40 MMM . . . Maitland's Midday Music. 2.30 Tony Blackburn. 5.00 News. 5.15 Music on the Move. 6.32 This Week. 7.03 Black Londoners. 8.00 As Radio 1. 10.00-5.00 am Join Radio 2.

F.T. CROSSWORD PUZZLE No. 4,675



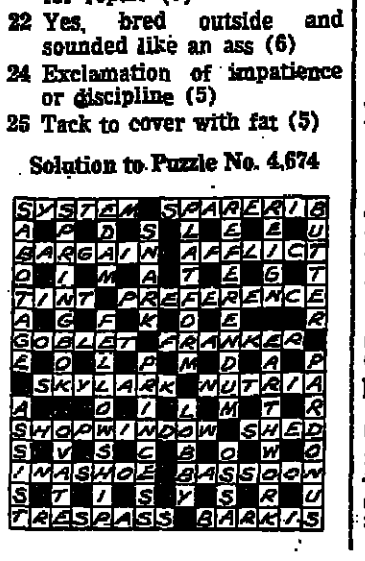
ACROSS

1 Ship's officer going around river kept within bounds (8)
5 Step on the dance-floor and drink . . . (6)
9 . . . to *give me a lift* that's stimulating (4-2-2)
10 Boasted about what the farmer's morning caller did (6)
12 Plain dry company (5)
13 Call for a trio that often features a pin-up (4, 5)
14 Wager about "Horse & Hound"? (6)
16 Standing like this could make an animal gasp for breath (7)
19 Publicise a small quantity of liquid supplies from the skies (3-4)
21 Go habitually and haunt (6)
23 Communicate successfully with the audience and win a medal (3, 6)
25 Type of anchor in an arbour (5)
26 A decision of the umpire, but not one to spy on (3-3)
27 "A pitiful tale" cries Conservative (3-5)
28 One who puts on fat in the pantry? (6)
29 Hired a record inside and wished to have done otherwise (8)

DOWN

1 Spiritless doctor to pooh-pooh (6)
2 Pack to lift and carry, but it's a comfortable place at the seaside (4-5)
3 Punch droll American man (5)
4 Instrumental aid for the speaker or the hard of hearing (7)
6 Dickens' difficult periods (4, 5)
7 Drain repairer (5)
8 Finishes the food in advantageous places in the theatre (3, 5)
11 A fish in seaweed (4)
15 Narrowing of a passage making it rigorous on a river (9)
17 Missile base in a foreign plant (5-4)
18 Barely sufficient in the border (8)
20 *A game wherein one may* get soaked (4)
21 Bring back to a former state for repair (7)
22 Yes, bred outside and sounded like an ass (6)
24 Exclamation of impatience or discipline (5)
25 Tack to cover with fat (5)

Solution to Puzzle No. 4,674



ENTERTAINMENT GUIDE

OPERA & BALLET

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FINANCIAL TIMES
PUBLISHED IN LONDON & FRANKFURT

INTERNATIONAL & BRITISH EDITORIAL & ADVERTISEMENT OFFICES

THE ARTS

Cinema

The trouble with women

by GEOFF BROWN

City of Women (X) Classic Tottenham Court Road, Screen on the Hill.
Violent Streets (X) Classic Haymarket.
The Final Conflict (X) Cinecenta Studio Oxford Street, Classic Tottenham Court Road.
Bustin' Loose (AA) Ritz.

There is one image in Fellini's new film *City of Women* that stands out above all others in its audacious bluntness: cinema audience, entirely male, rocking back and forth on the pillows of an enormous bed, staring impassioned at the montage of glamorous women on the silver screen. The equation of cinema with sexual fantasy could not be made any clearer, though that never stops the director from repeating the equation with related images *over and over again, like a stage magician pulling endless rabbits from a single top hat.* Our guide through the labyrinths of Fellini's fantasies is Marcello Mastroianni (now a little creased and grey at the temples), who plainly appears as the director's surrogate. He plays Snàporaz, an ageing Casanova *who leaves a train* compartment to explore, with furtive amusement, a dream landscape almost entirely populated by women.

At first he regards them with the rudeness of the true chauvinist: "You gorgeous cow!" he shouts to the mysterious lady in Russian hat and boots whom he follows across fields to an hotel full of feminists holding a convention. But by the end of the dream he has been verbally and physically humiliated, taunted by punks, set upon by an ogre in a greenhouse, interrogated and condemned for his sexual attitudes by a tribunal. The dream ends, but then seems all set to return as Mastroianni's train enters the dark womb of a tunnel just as it did at the beginning. As with Truffaut's hero in *The Man Who Loved Women*, the obsession—with women, with cinema and their interconnections — is unmistakeable.

We are all *familiar with the* symbolism *of* trains entering tunnels, of course, and for much of the time *City of Women* offers the pleasures of being on similarly *familiar* ground, raked over by an *old master. Mastroianni's odyssey through* various aspects of *the female spirit* is flamboyantly staged, swirling with life (and mist—for an eerie nocturnal atmosphere hangs over much of the action). Individual sequences reverberate with the kind of quirky c o m e d y that only Fellini can provide: take Mastroianni's escape from the feminists with the friendly ogre from the hotel basement, whose attempted assault — in the bizarre company of stuffed bats — is interrupted by her tiny, termagant mother. But as with most picaresque adventures there comes a point when the momentum drops and audiences fidget, especially when the film lasts over two hours. *Once the hero starts his* slow descent down a helter-skelter chute full of past memories (including the cinema auditorium cum bed), our own past memories of Fellini films may be getting in the way of full appreciation. *City of Women*, then, offers nothing new, and its treatment of women may possibly cause offence to those unreceptive to Fellini's methods of caricature. But it does show an accomplished cinema magician giving a reasonable display of tricks; *at a time when magicians seem* a dying breed, this is cause for some celebration.

★

The character played by James Caan in Michael Mann's *Violent Streets* (previously known, to better effect, as *Thief*) talks at one point about "doing my magic act," though it's doubtful if the professionals of the Magic Circle would be very impressed. For the act seems to consist of nothing but foul words and fouler deeds, all perpetrated by an ex-convict determined to vent his rage and build a fortune at the same time by pulling off shady deals and robberies. The film jangles with a punk sensibility that may well find favour in some quarters, just like Mann's previous film *The Jericho Mile* (a TV production; this is his first cinema feature). Tangerine Dream provide a music score of hypnotic pulses and drones; director and photographer (*Donald Thorin*) combine to paint a glossy, garish picture of urban America whose violent streets seem forever doused in rain and darkness.

But as the film proceeds, it becomes increasingly obvious that such surface excitements are the only kind on offer, for the director — who undertook extensive research on the workings of the underworld — has hung his visual effects and turbulent action on a curiously routine plot. Take away the incoherent philosophising of Caan's character (symbolised by his cherised postcard collage of images describing his life and destiny) and you are simply left with the old thriller clichés about a lone criminal who refuses to be tied to his boss's apron strings. Still, *Violent Streets* is not to be snubbed outright. Apart from James Caan, it provides a role for the excellent Tuesday Weld, playing his naive, devoted mistress (though she is never given anything substantial to do). The film also nails down a fashionable Hollywood style—garish, violent and pretentiously solemn.

The Final Conflict, on the other hand, is already good for nothing—a third instalment of *The Omen* saga with none of the original's *showmanship* and a great deal of extra silliness. Damien Thorn, alias the Antichrist, is now 32; he heads the world's largest multinational company, he is *Britain's American ambassador* and regularly puts the President straight about Middle East matters. Put against that combination, the opposition looks pretty paltry: the "seven daggers of Meggido" (about as lethal as Brillo pads); an investigative TV journalist with a programme called "The World in Focus;" old Father DeCarlo, portrayed by Rossano Brazzi (who has played so many Hollywood Italians that he's now talking like Chico Marx). Thankfully the day is saved by the Second Coming, and with luck this really is the final conflict.

Unfortunately some talented people are entombed in this British-made folly. The director is Graham Baker, making his feature début after many commercials and his highly praised short film *Leaving Lily*; here he only shows sensitivity in shots of the English landscape. The incoherent script is by Andrew Birkin, *who wrote* the superb television trilogy on James Barrie, *The Lost Boys*; he occasionally tries to make the Antichrist seem another lost boy, but the attempt is doomed. And Damien is played by Sam Neill, the New Zealander who made his name in *My Brilliant Career*. This is hardly the film to make that title come true.

One wonders, too, what *Bustin Loose* will do for Richard Pryor's career as an anarchic character actor and stand-up comic. This is his own personal production; he stars in it with Cicely Tyson and dreamed up the queasy story about a cross-country trek of one roguish ex-convict, one school teacher who objects to bad language (she should have heard James Caan's), and eight difficult children whose problems range from blindness to enforced prostitution in Vietnam. The journey begins with tantrums; it ends with hugs and moral regeneration. In his recent work as a director Sidney Poitier *has had growing success lacing* comedy with sentiment and a little moral guidance, like some latter-day Frank Capra: *Stir Crazy* (co-starring Pryor) was particularly popular in America. But this mixture of the same ingredients does not work at all. The scriptwriters' sense of fun seems almost as slim as Cicely Tyson's, and the director Oz Scott (a new name from Broadway and television) allows even Pryor's engaging displays of rascality to get submerged in a welter of semi-improvised mutterings.

A brief word, finally, about two film seasons well worth *checking out. The Museum of* London at the Barbican is beginning another twice-weekly cycle of vintage British films, showing on Tuesdays and Thursdays at 6.10 (too early!). The opening attraction on September 22 is *The Sign of Four*, made in 1932, with Arthur Wontner as Sherlock Holmes; later items include boisterous Gainsborough comedies, Korda productions, the Hitchcock oddity *Number Seventeen*, the Aldwych team in *Rookery Nook* — there are 25 films in all, stretching right up to Christmas. The National Film Theatre begins a week of recent German films on Monday, including new work by Werner Schroeter, Bernhard Sinkel and Heidi Genée (director of the delightful *1 + 1 = 3*; her *Thorn in the Flesh* shows on September 24). The season ends on September 28 with *Monarch*, made with the ham-fistedness of so many documentaries but its subject-matter certainly fascinates. For the monarch celebrated is a professional player of slot-machines, who endures callouses on his thumbs, constant loneliness, indigestible bar food and nasty arguments with proprietors in order to earn his living. I'll stick at being a film critic, thank you.

Wigmore Hall

Russian church music

by ANDREW CLEMENTS

The Tallis Scholars are a group of 16 young and most expert singers, directed by Peter Phillips. They are also enterprising; in two concerts at the Wigmore Hall in the past week they have presented a survey of Russian liturgical music, much of it completely unknown to all but specialists. At the core of both their programmes was Rakhmaninov's *Vespers*; part one of the work concluded the first concert, and on Wednesday the last six numbers were sung.

There were no excuses for presenting the music, all of it *written for church use, in such* a secular setting as the Wigmore Hall. "The concerts are not putative church services," the conductor wrote in the programme booklet, "but an opportunity to present remarkable music, much of which is little heard even in the Orthodox church." Neither was *there any attempt at* fake Russian presentation; quite rightly the singers decided that the least contrived performances would best convey the beauty and originality of the writing.

The second concert took music from the liturgy for the Sunday Eucharist; the relevant section of the Rakhmaninov ended the selection and it began with chants in honour of the Virgin from the 16th century, followed them with two 20th-century harmonisations of a *chant* by Tsar Theodore (the first concert had included one such by Ivan the Terrible), and moved on to Chaikovsky and Balakirev. Interesting to hear how Chaikovsky's sweet tooth gave a soft centre even to his music for the liturgy, for all that it preserved some original chant; strange to hear a Russion version of the anthem "Rejoice in the Lord" (by Balakirev), so well known in the English cathedral tradition.

Rakhmaninov, however, dominated the evening. The *Vespers* must be his least praised work, a model of discipline from a composer belaboured for prolixity. The setting of "Glory to God on high" based on a Znammeny chant, which forms the 12th section of the work, is hauntingly beautiful, the *original chant woven into the* fabric of a prodigiously sustained piece of *a capella* writing. Everything that the Tallis Scholars gave us was unaccompanied; almost everything was expertly polished, intonation was impeccable. Stravinsky's setting of The Lord's Prayer was perhap the most precious gem of all; beautifully sung and a reminder of supreme genius in microcosm.

Booker Prize short list

The winner of the £10,000 Booker McConnell Prize for Fiction will be chosen from one of the following seven authors:—Molly Keane, Doris Lessing, Ian McEwan, Salman Rushdie, Ann Schlee, Muriel Spark, D. M. Thomas. The novels on the short list are:

Molly Keane's **Good Behaviour** (Deutsch £6.50); Doris Lessing's **The Sirian Experiments** (Cape £6.95); Ian McEwan's **The Comfort of Strangers** (Cape £5.50); Salman Rushdie's **Midnight's Children** (Cape £6.95); Ann Schlee's **Rhine Journey** (Macmillan £5.95); Muriel Spark's **Loitering With Intent** (Bodley Head £6.50) and D. M. Thomas's **The White Hotel** (Gollancz £6.95).

The judges who selected these seven novels were: Malcolm Bradbury, Professor of American Studies, University of East Anglia, chairman of the judges; Brian Aldiss, Joan Bakewell, Samuel Hynes, and Hermione Lee.

Sadler's Wells

Spring Waters

by CLEMENT CRISP

Had it not been for the arrival of *Spring Waters* in Wednesday's Sadler's Wells Royal Ballet programme, we might have been back in Rosebery Avenue in the mid 1930s, the formative years of the Vic-Wells Ballet. *Les Rendezvous*, *Checkmate* and *Façade* were the meat of the evening — all decently done—and the ecstasies of Asaf Messerer's duet sat rather oddly in this company.

Spring Waters was made in 1952 for students of the Bolshoy School, a realisation of Rakhmaninov's song that is a vivid encapsulation of the Moscow manner at its most athletic and lusciously emotional. I think it a very good *pas de deux*, for all that the male dancer is called upon to do is little more than fetch and carry the ballerina in a thoroughly specious access of delight. But it has a whole-hearted energy, a wild, maddened-by-the-scent-of-lilacs emotionalism that bears us along, and Galina Samsova and Desmond Kelly, best of partners, surrendered totally to the surge of the music and the choreography.

To quibble slightly, I must note that I thought the tempo was too slow—the dance did not look as seamless or as brazenly daring in its abandon as with Bolshoy casts—and the balance between orchestra and the rich Russian-toned singer, Ludmilla Andrew, was not good, yet the sum effect was as intoxicating as it should be.

The pas de deux offers a brief, potent image that suggests a way of dancing very foreign to our politer Western manner, and its frankness of feeling—entirely apt in its response to the Rakhmaninov song—seems almost shocking in the context of the rest of the programme.

Samsova gives it complete authenticity: her own style, which opens out to choreography with a physical involvement British-trained dancers cannot emulate, sings and soars with the melody. With lesser artists the work would look self-conscious or blatant: Samsova and Desmond Kelly, who can even surmount the Tarzan tunic he must wear, are blissfully right. They believe, and so do we.

The main matter of the programme was dominated by David Ashmole's splendid dancing. In *Rendezvous* he produced a clean, buoyant and unfailingly attractive account of the leading male role; in *Checkmate* he showed again that he is the best Red Knight, *preux chevalier* in technique as in manner, we have seen for many years.

Leonard Burt

Galina Samsova and Desmond Kelly in "Spring Waters"

The Other Place, Stratford-upon-Avon

The Witch of Edmonton

by B. A. YOUNG

Elizabeth Sawyer was hanged at Tyburn for witchcraft in April 1621, having made a full confession. This play, described on the first edition title page as "A known true story" appeared the following December. Many actual details from Mother Sawyer's cônfession were used, and her story is *combined with a conventional* Jacobean romance about marital duplicity. The playhouse was clearly anxious to get the play on quickly, and employed three of its stable of writers on it. For what it's worth, it is thought that Dekker wrote the scenes about Mother Sawyer, with their social comments; Rowley wrote the comedy scenes for the clown Cuddy Banks; and Ford, perhaps with Dekker's assistance, the scenes of domestic infidelity.

This story runs along fairly normal lines. Frank Thorney secretly marries his fellow-servant Winnifrede in the first scene, and in the second scene is persuaded by his old and debt-plagued father to marry Susan Carter for a rich dowry. Dissatisfied with the double life he tries to lead, he murders Susan and throws the blame on his former rival, Warbeck.

There are two minor plots. One concerns Cuddy Banks who *is after Susan's sister Catherine.* The other is about the poor old woman Mother Sawyer, who is commonly thought to be a witch because she is ugly and bad-tempered; and it is she who brings the special interest to the play for one day when she is sitting cursing, she is visited by a diabolical familiar in the *shape of a dog.*

The use of the devil in the play is subtle, and can't have been stuck on to the Thorney-Carter plot as an afterthought. The dog, who can talk, explains that a devil is always available when the mood is for him. "Thou never art so distant from an evil spirit, but that thy oaths, curses and *blasphemies pull him* to thine elbow." Mother Sawyer is easy meat. Later, when Frank is running away with Winnifrede, and his second wife comes on the scene, the dog appears and brushes against him: it is at that point that he decides to solve his problem by murder. Cuddy also chats with the dog, but Cuddy is a decent man free from wrong thoughts, and the dog can't influence him.

The excellent production under Barry Kyle reeks of evil. It is played against a farming background (designed by Chris Dyer), where there is little *courtesy, though much kindness.* From the moment the dog appears, bursting out of a sack as Mother Sawyer sits swearing, an atmosphere of uneasy tension builds up. Evil is abroad. The scene of Susan's murder, where the dog unexpectedly appears and surrounds the players with a visible barrier before providing Frank with the weapon he needs, is breathtaking.

It would be easy to make the dog funny or silly, but as Miles Anderson plays him, blacked all over, with a curly spaniel wig and a black harness incorporating a tail, he is a constant menace. Miriam Karlin plays the witch without any exaggerated witch-like characteristics, perhaps to emphasise how prejudice rather than works were the basis of her reputation. She makes a fine thing of her defiance of the accusing Justice, "What are your painted things in Princes' *courts*"—*a parcel speech.*

Gerard Murphy's Frank begins as a proper young man forced into wrong by the bad influence of his elders. Once he has made contact with the dog, he turns evil, and is evil until the scene of universal forgiveness in his cell at Tyburn (at the end of which, after they have all sung a hymn, the director gives the dog an unjustified entry at Winnifrede's side). Harriet Walter is Winnifrede, her rustic accent rather a trial but otherwise a convincing victim, though she couldn't have had a real chance against Juliet Stevenson's tender Susan. Anthony O'Donnell is a pleasant Cuddy Banks, and George Raistrick stands for all that is good about farmers except their treatment of witches. The near-lynch that comes after the interval is as socially interesting as the scene with Cinna the Poet in *Julius Caesar*.

Leonard Burt

Miles Anderson and Miriam Karlin

Arts Council Explains

"One of our more difficult years," said Mr Kenneth Robinson, chairman of the Arts Council, yesterday when introducing the Council's annual report for 1980-81. Much of the secretary general, Sir Roy Shaw's, introduction was devoted to a defence of the decision last December to axe grants from 41 clients in order to help 46 others with above *the average grant increase*. He justifies the Council's action while admitting that when a similar exercise is attempted this year it will be presented with more acumen.

But the Council's problems in 1982-83 could be even greater. It does not expect to hear how much money it is receiving from the Government until after Christmas (a delay on 1981-82) and the Government's long term financial forecasts assumed a 2 per cent fall in money for the arts. So many more arts companies could be receiving bad news early in January.

But the Report also goes on to the offensive, noting that if, for example, its annual subsidy of £365,000 to the Crucible Theatre Sheffield was withdrawn it would cost the Government £525,000 in loss of VAT and income tax, redundancy and social security payments and other terminal costs.

A.T.

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The drift to protectionism

TRADITIONAL trading powers in the west are on the defensive. New competition is always difficult to accommodate, especially when it is skilfully organised, flexible in its approach and liberally fiananced, as in the case of Japan and smaller newly industrialising Asian nation. Difficulties for the established powers compounded by recession, which make more painful the process of adjustment. It is virtually impossible to persuade a Midlands textile worker on the verge of losing his job that the rundown of his industry is part of a process which will lead to economic growth and that the resources tied up in an obsolete industry are best deployed elsewhere.

One of the motors for adaptation is the existence of a liberal world trading system based upon the disciplines of the General Agreement on Tariffs and Trade. The system may not have caused the growth in the world economy from 1947 to 1973 but, without it, the growth would have been much more sluggish. So the GATT secretariat is right to issue another clarion call for a return to the disciplines of open trade.

Trend

It is not that governments are overtly protectionist. Rather, with increasing frequency, they give ground to special interest groups—the textiles, car, steel, shipbuilding and consumer electronic industries are cases in point. "The trend is on the whole in one direction and clearly unsustainable for long," GATT says in its annual study of international trade. "While the rules of the GATT continue to exert considerable influence on policy conduct, there is no denying that infractions and circumventions of them have tended to multiply."

The rules remain basically intact. But the fashionable way to go round them is for countries, or industries, to arrange bilateral trading agreements for a particular product. This not only restricts the flow of trade but shelters the higher cost, less efficient producers—it is the respectable path towards protectionism. A classic case is the agreement between British and Japanese car manufacturers which, sanctioned by the UK Government, holds the Japanese to a percentage share of the British market. Other cases, in other countries, are less visible. But all have in common the fact that they delay change which will become inevitable tomorrow and encourage inflation in the participating economies.

The British Government's readiness to argue in favour of these sort of arrangements—voluntary restraint agreements—as a means of moderating the pace of change and providing time for restructuring is thus at odds with its domestic economic principles.

Mr John Biffen, the Trade Secretary, arguing just this case at the beginning of July, in the context of the textiles industry, did not address either the inflation problem or another issue which GATT brings out: the present extent of protection is already a major cause of the poor performance of some basic industries, holding back expansion of dynamic sectors and locking up resources.

Indeed, the danger of the slide towards bilateral deals, as GATT points out, is that once started it is difficult to stop. "With each additional act of protection it becomes more difficult for a government to deny a new claimant what it has granted so many others in the past." Not only that, protection in one sector puts up costs in another. Restrict steel imports by establishing a minimum price at which overseas suppliers can sell—the U.S. system—and costs for the car industry inevitably increase. The imposition of palliatives in the form of emergency import controls may ease an immediate employment problem or resolve a tricky political dilemma, but it only builds up trouble for later.

Ideology

Pleas to hold the line against protectionism are not part of an academic exercise in pursuit of an ideology. One of the virtues of GATT's latest study is that it makes clear how adherence to the liberal trading system is part of the struggle not only to combat inflation, but also to promote growth. The resort to bilateral agreements is at least partly a result of ossification in the western economies, a growing inability to change. Warding off protectionist pressures has to be part of a cohesive approach to eliminating red tape and restoring greater precision to the use of the pricing mechanism, especially in the labour market and agriculture. As far as the British Government and the Reagan Administration in the U.S. are concerned this means that they should not bely their free market approach with acts of protectionism.

A more efficient public sector

ANY SERIOUS proposals for saving public money by making the operations of government more efficient without lowering the standard of services to the public deserve careful scrutiny by Ministers, civil servants and local authorities. When, as on Tuesday, a group of leading businessmen who have been researching the subject on behalf of the Confederation of British Industry put forward suggestions for saving between £3bn and £5bn a year by reducing overmanning and inefficiency, taxpayers and ratepayers will be right to demand a constructive and active response to this challenge from government.

Costs

The CBI claims that a 10 per cent cut in public service manpower, which would save £3½bn in direct employment costs, could be achieved in two to three years by economies outside the "front line" areas of government which impinge directly on the public. These savings should be used, according to the CBI, not to cut government borrowing at the risk of deflating the economy further, but to stimulate demand for a pound-for-pound basis, either by cutting taxes or by raising public sector investment in commercial projects and infrastructure. Although they would wish public service manpower to be cut by 400,000, the transfer of this expenditure to other parts of the economy would result in at least as many jobs being generated in the productive sectors.

Thus the CBI's proposals are put forward in a constructive spirit. They may perhaps be over-optimistic, but nobody could claim that they are motivated by an ideological aversion to the public services or by a doctrinaire belief in cutting government borrowing in all circumstances. If any of the particular suggestions for improvement in the CBI's programme are feasible, then they should be welcomed at both ends of the political spectrum. People who advocate the expansion of the public sector should be even more concerned about its efficiency, and about popular awareness of its efficiency, than those who want to curtail the role of government.

The essential question raised by the CBI report is therefore not a political, but a managerial one: are savings on this scale conceivable without undermining the standards of service to the public?

The CBI's approach has been to take as a starting point the efficiency improvements which are now being made in some central government departments and then to investigate the possibility of making similar changes in other parts of the public sector. The Government's own commitment to reduce the number of civil servants from 732,000 in April, 1979 to 630,000 by April 1984 has so far resulted in a cut of about 5 per cent in civil servants' employment. Certain departments most notably Environment, have achieved considerably bigger reductions. What the CBI working party claims to have found is that, in addition to further improvements which can be made within the Civil Service, there is scope for the same scale of economies in the other, much larger, parts of the public services.

Approach

A detailed analysis of the numbers and functions of local authority and health service employees, together with a comparison between the numbers employed by different authorities to do broadly similar jobs, suggests that staff cuts at the sort of rate experienced over the past two years by the Civil Service should be possible without reducing the numbers of essential employees who deal directly with the public and without compulsory redundancies among the administrators who would bear the brunt of the cuts. This may be too much too hope for, as Sir Leo Pliatzki, the distinguished ex-civil servant who resigned from the working party, evidently believed. But there can be no question that the Prime Minister should now ensure that all Ministers and their civil servants urgently take up the CBI's good work.

POLITICS TODAY

Now for the hard part

By Malcolm Rutherford in Llandudno

TO THE Liberal Party delegates and Social Democrat observers gathered in Llandudno at the beginning of this week all the news was good news.

Mrs Thatcher reshuffled her cabinet—a sign that the Prime Minister was retreating into her bunker. The candidates for the deputy leadership of the Labour Party savaged each other on TV—further evidence that Labour is irretrievably breaking up.

In the general political euphoria, the rise in interest rates was noticed somewhat later, but that again was received as an indication of the bankruptcy of Tory economic policies.

So was the news of the 4 per cent guideline for public sector pay increases. No sense of irony that some of the leading Social Democrats went out of office in 1979 defending a Labour attempt to impose a 5 per cent pay norm across the board or that the Liberals are inclined towards a comprehensive incomes policy.

In Llandudno the intractable nature of the country's problems is put down almost entirely to the maintenance of the two-party system. Change that and you will change the face of Britain—to borrow a phrase from the quite forgotten Mr Jeremy Thorpe.

There was never any doubt that the alliance between Liberals and Social Democrats would be overwhelmingly approved from the moment when Mr Roy Jenkins and Mrs Shirley Williams entered the lions' den at a fringe meeting on Tuesday evening and found it full of cooing doves. They were given a more rapturous reception than they can ever have been used to in the Labour Party. Indeed they were outshone only by Mr Jo Grimmond, the last Liberal leader but one, who admitted that when he sought a radical realignment of British politics in the mid-1960s it had been only a dream.

Now the dream is becoming a reality, or threabouts. The idea of a Liberal-Social Democrat Government after the next general election is entirely feasible. The opinion polls, sustained over several months, support it. So do the enthusiasm with which people are joining the SDP and the results of the local by-elections. So, too, do the performances of the Labour and Tory parties.

At the very least, the new alliance can reasonably look forward to a sizeable presence in a Parliament where no party has an overall majority. As of mid-September 1981, that must be an objective assessment to be considered—if not accepted—by Tories and Labour alike.

The real question is what happens between now and the general election. Will the Labour Party pull itself together? Will the Government's economic policies begin to work in such a way as to enable it to persuade the electorate to give it a second term? And how will the alliance between the Liberals and the SDP develop?

Hugh Routledge

Happy men in Llandudno: Mr David Steel and Mr William Rodgers in the foreground with Liberal MPs Mr Jo Grimond (left), Mr Richard Wainwright and Mr Russell Johnson behind

The best hope for the alliance lies in a combination of the further disintegration of the Labour Party and the failure of the Government's economic strategy. If it could rely on both, it should not be difficult to win the election outright. But it would also be a pretty dismal inheritance and one which would require the new government to be pretty sure from the start what it plans to do. Can the alliance get itself into this sort of shape in time?

To take the easy step first. There now seems to be little doubt that a purely tactical electoral alliance can be achieved. A few months ago the Liberals were jibbing at anything like an equal distribution of constituencies between themselves and SDP candidates. They have still not quite accepted parity, but are moving in that direction.

Mr William Wallace, a Liberal academic, put it very well in the debate on the alliance this week by referring to the parable of the vineyard: "Those who had toiled through the heat and burden of the day were persuaded to share their wages equally with those who joined them at the 11th hour, but they were not persuaded to pay them a premium for joining." In other words, it should come down to around 50-50 in the end.

There will be, and already is, a separate argument about who stands where, but again it is capable of resolution, even if the agreement is a bit rough at the edges. The Social Democrats are proposing that there should be a roughly equal distribution of constituencies between urban and rural areas, inner city and suburban and between north and south. That is, it should not be assumed that the Liberals can have first choice throughout much of the south and south-west while the Social Democrats fight the industrial north and the Midlands.

> ❛A more difficult question is what is the meaning of the alliance beyond an agreement on who should fight which seat❜

Parity applies to geographical distribution as well as to numbers: Otherwise a Liberal-SDP alliance might end up rather like the present two-party system—one party tending to represent the north and the other the south. Some Liberals will resist this, but most of them probably not to the last ditch.

The Liberals have also won a point of their own by attacking the SDP for appearing to accept into its ranks any disaffected Labour MP or Labour councillor who wants to join. Along with Mrs Thatcher and Mr Tony Benn—whose state of damnation is more or less taken for granted—the real villain of this week's assembly was Mr Michael O'Halloran, the former Islington MP who defected to the SDP 10 days ago. The Liberals say that there are Labour people—machine politicians and right wingers—whom they would not touch with a barge pole. It now looks as if the SDP will set a deadline of (say) the end of the year for receiving disenchanted Labour MPs and then allowing them a clear run at their own seats. This, of course, could encourage a rush to the SDP after the Labour Party conference.

All that should be reasonably straightforward. A more difficult question is what is the meaning of the alliance beyond an agreement on who should fight which seat and a broad declaration of common principles. It is here that Mr David Steel, the Liberal Party leader, may be still a step ahead of the SDP. For what he clearly wants to do is to present the alliance as much more than a tactical electoral arrangement. It is the very term alliance which he wants to make maximum use of when it comes to the election.

So far the Liberals have not had it all their own way. The only joint document to have been published with the SDP is called "A fresh start for Britain." The Liberal leadership wanted to call it "A new alliance for Britain." The SDP turned that down on the grounds that it suggested that the two parties were getting too close.

As time goes on, however, it is possible that Mr Steel will prevail. There are some very practical reasons why. For example, it would save money if the parties could have a joint advertising campaign. It might be more astute if they could have joint Press conferences during the election campaign. A more formal alliance might also help on the allocation of broadcasting time. The SDP, under present rules, is not entitled to any. There might even be a case for a joint manifesto.

Above all, Mr Steel is probably right in thinking that it is the idea of an alliance that appeals to the country. It is, in effect, a call for unity—between employers and employees, black and whites, north and south. If you had an opinion poll asking whether people wanted unity, there is little doubt that the result would be heavily in favour.

Anyway, all that is still to be played for. Nobody knows what the mood of the SDP's first conference next month will be. It is possible that they too will lean towards national unity rather than the building of a largely separate party. We shall see.

There are other problems, the most obvious of which is defence, which brought the Liberal leadership down with a thump yesterday morning. The assembly voted by a large majority and unconditionally against the deployment of cruise missiles in Britain.

It was a defeat for the party leadership and a rebuff to the SDP. Mrs Williams and Mr William Rodgers cannot have been alone in thinking that they were back at a Labour Party conference in Blackpool. The only difference was that the motion in favour of renunciation was moved by a former member of the Foreign Office, Mr Paddy Ashdown, the prospective Liberal candidate for Yeovil, and clothed in some foreign policy sophistication.

There may be one short term, but important effect. Mr Bill Pitt, the Liberal candidate in the forthcoming by-election in Croydon North West is a pacifist. The Liberal leadership had thought that they could get over that by his agreeing to say that he was a pacifist for personal reasons, but that defence when it came to disarmament is should be multilateral.

Mr Pitt, on the evidence of his appearances in Llandudno this week, is a bit of a ... One would be surprised if the divisions both within the Liberal Party and between the Liberals and the SDP over nuclear weapons do not become a feature of the Croydon campaign.

In the end, that may be surmountable. You could say that those Liberals who rejected cruise missiles were merely following the examples of other movements in Western Europe and that at any case the missiles are not due to be deployed until 1983 at the earliest, by which time many things may have changed. You could also note the way the fringe meetings this week addressed by Monsignor Bruce Kent, the head of the Campaign for Nuclear Disarmament, and by Professor E. P. Thompson were full to overflowing. Many people were clearly ready to be converted in the absence of any convincing counter-argument.

But for the SDP leadership the message must be plain. You do not escape from the old debate merely by setting up a new party.

The most telling point of the whole assembly was made by Mr. Tony Greaves, a Liberal councillor, in that first fringe meeting. He espoused the alliance only reluctantly, then posed a question about the mood of the country. He suspected that people were flocking to the SDP and the new alliance not because they wanted any great radical reform, but out of despair and disillusionment with the main existing parties.

His nightmare was of the alliance sweeping the country and of the government formed being a disaster.

That is the question which Liberals and Social Democrats now have to think about. It is not enough to win the election, still less to hold the balance of power, and to offer a new "new start." The real problem is why so many of the previous new starts have gone wrong. I doubt if the answer is to be found entirely in politics.

MEN AND MATTERS

Diplomatic exchanges

Britain's new top diplomat, Sir Antony Acland, is cast in the same classical mould as his predecessor, Sir Michael Palliser. Both are the foreigner's archetypal Foreign Office figure—tall, elegant, urbane and with solid public schools behind them. But Acland brings with him an intellectual cutting edge which contrasts with the smoother, low-key style of the man from whom he will take over as Permanent Under Secretary of State at the Foreign Office in the new year.

A quick glance at their careers suggests a change of seasons. Palliser, married to the daughter of the late Belgian leader Paul Henri Spaak, made his name during Britain's EEC negotiations when he helped smooth Heath's crucial conversations with Pompidou.

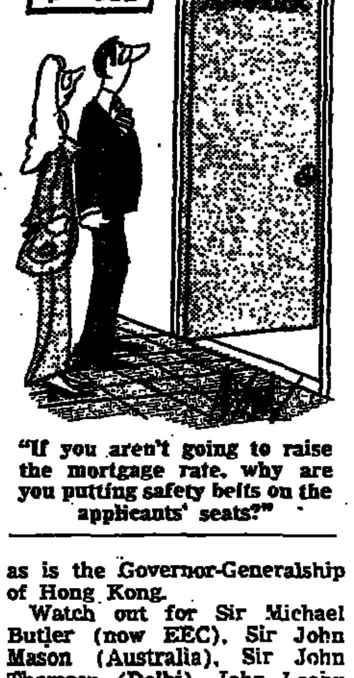
He has since given the impression of having little interest in policy—the headmaster who had no time for teaching. But subordinates say he retained a startling ability for producing fresh ideas in tired negotiations.

Though Acland's recent jobs have been European, he was long an Arabist. Sharp, cool and approachable, he impressed both Lord Home and Callaghan whom he served as private secretary.

A mere 51, Acland can look forward to even more years in the post than the six that Palliser will have enjoyed. Too many, some think.

But Acland may delegate more responsibility, relying perhaps on his deputy, Fellow of All Souls Julian Bullard's heterodox intellect to focus on policy. There are those who believe, too, that Acland has already been earmarked as the next Cabinet Secretary.

The more immediate problem is who will fill the major F.O. posts coming vacant over the next year because of age. NATO became due for a change on Monday; Paris, Moscow, the UN, and Belgium are all in line, as is the Governor-Generalship of Hong Kong.



"If you aren't going to raise the mortgage rate, why are you putting safety belts on the applicants' seats?"

Watch out for Sir Michael Butler (now EEC), Sir John Mason (Australia), Sir John Thomson (Delhi), John Leahy (Pretoria), and from London, Lord Bridges, Derek Day and Sir John Graham.

Politicians may also intrude. Normally the F.O. expects to lose about two posts to the Westminster outsiders.

Open season

"The decision is the one I most regret during 30 years in public life," says Lord Marsh, former British Rail chairman, publicly repenting his decision five years ago to dismiss the first of BR's closed shop dissidents.

Small consolation to the victim, or the 54 others fired since, Marsh agrees. But the one-time Labour Minister, now a Tory peer, has been trying to make amends by penning a vigorous call to "end the tyranny" of the closed shop for the mass circulation Reader's Digest.

Changes in the law could well follow the judgment of the European Court of Human Rights on the BR case—not to mention the promotion of Norman Tebbit.

About time, says Marsh. The alleged convenience to managers of such agreements with the unions is often "wholly illusory." The closed shop is a powerful weapon in the hands of the activists for defending old demarcation lines and blocking industrial progress.

Stirring stuff—and nowhere more so than in Fleet Street where the closed shop is well entrenched and Marsh is chairman of the Newspaper Publishers' Association.

"A lot of our members have seen the article and are very annoyed," snaps print union NATSOPA's assistant general secretary Teddy O'Brien.

"If he wants to end the closed shop in Fleet Street, he has only to tell us," O'Brien adds. "There is not one single newspaper office in Fleet Street where we have a written agreement on the closed shop. Our members join voluntarily."

Sic transit . . .

The Dorchester is celebrating its golden jubilee this year and taking the opportunity to look back on moments of past glory.

Marjorie Lee recalls in the current issue of the hotel's house magazine, the wartime business boom when the Dorchester's reinforced concrete construction made it one of the safest places in London and an ideal bolt-hole for Government Ministers and society figures.

Residents like Lord Halifax, Duff Cooper and later General Eisenhower were among those to be seen in the hotel restaurant, where government regulations pegged the price of a three-course meal at 5/-. As a "luxury establishment," the Dorchester was able to add a 6/- cover charge and a further 2/6 for dancing.

A look at the menu for February 11 1943 suggests that the diners still did not do at all badly, with a half-dozen Colchester oysters, lobster and mousse as one of the possible meals on offer for an all-in 13s 6d.

Two of the most regular Dorchester entertainers were Lady Cunard and Lady Colefax, the latter being a much-loved but somewhat impecunious hostess, accustomed to billing her guests discreetly afterwards for their food. Which, one regular diner-out was asked, were the better dinners—those of Colefax, or those of Cunard? "Lady Cunard," came the reply, "because they were free."

Stage struck

Intoxicating, the whiff of political power that the Liberals now scent on the Llandudno breeze.

Reckoning that there are some ten Tory seats—including those of John Nott and Edward du Cann—that its candidates can win for the new alliance in the West Country alone, the party began rehearsing its role in government yesterday.

Question time for Liberal MPs and peers—an informal feature of the Assembly for some years—suddenly began to mirror the Commons model with the MPs, like Government Ministers, giving prepared replies to written questions, then dealing summarily with supplementaries.

What about import controls? Lady Seear was asked. "We are all free traders bar one, that's Cyril Smith," she replied. Smith was pressed about his differences with colleagues. He had nothing to say on the subject. "As we are getting nearer to power, I think it is time to begin to practise the doctrine of collective responsibility," he explained.

Corny

The reason for Nissan's hesitation in setting up a plant in Britain at last became clear yesterday. A news agency reported: "It has been known for some time that the Japanese were not totally happy about the quality and rice of some British components."

Observer

Barry Riley says the choice of a new chairman for Britain's Accounting Standards Committee, dogged by delays and controversy, could be crucial

The accountants' double dilemma

SIR DOUGLAS MORPETH'S unexpected decision to turn down the chairmanship of the Accounting Standards Committee has faced the various accountancy bodies which control the ASC with a double dilemma. Not only do they need to find a way of restoring the fading momentum of the accounting standards programme, but they must look for a new man to do it.

The present chairman, Mr Tom Watts, had made known his willingness to hand over on September 30 to Sir Douglas, best known for his role in forcing through the inflation accounting standard SSAP 16. He has been deputy chairman of the Committee ever since it was founded in 1970.

But Sir Douglas has had to give priority to his responsibilities at Touche Ross, where he is now senior partner and chairman of the board. "I would have liked to have done it," he says, "but reluctantly, I just haven't got the time."

Now Mr Watts will have to soldier on for the time being. But he is unlikely to contemplate staying beyond the term of his official appointment, which expires next June.

The importance of the ASC extends far beyond the accounting profession. Not only is its output devoted to improving the usefulness of accounts to professional users such as bankers and City fund managers, but it has plans to extend its influence much more widely. Future projects include improvements in pension scheme reporting to members, in local authority accounting, and in the production of widely circulated simplified company accounts.

There are several views about how the ASC should now proceed after the departure of Mr Watts. But his own opinions are well known, and are largely identified with those set out earlier this year in the ASC's report on "Setting Accounting Standards." It is generally known as the Watts Report.

Only a lukewarm response has been given by the accountancy profession to the Watts Report's demand for more money, for the participation of non-accountants in the standard setting process, and for the establishment of a disciplinary body which would include, for instance, representatives of the Stock Exchange.

In general, the powerful English Institute of Chartered Accountants is believed to be supporting such proposals. This institute is dominated by the big auditing firms, though in numerical terms at least half of its members are employed in industry and commerce.

But the Scottish Institute is taking a much less positive line, and there is considerable opposition from the two member bodies of the Consultative Committee of Accountancy Bodies (the ASC's parent) which directly represents accountants in industry—that is, the preparers of accounts.

These are the institutes representing certified accountants and cost management accountants. The difference of opinion comes at a time when the certified accountants are in any case seeking increased representation on the ASC in recognition of growing membership.

The line-up for and against the Watts Report reflects a basic conflict within the accountancy profession. While auditors are not unhappy for the framework of accounting to be defined more strictly, industrial accountants are far from enthusiastic at the prospect of an ever larger and more complex rule-book.

At the root of the low profile currently being adopted by the ASC in its accounting standards programme lies the history of conflict and controversy over current cost accounting.

Following the unexpected withdrawal of Sir Douglas Morpeth (left), the Accounting Standards Committee is looking for a chairman with the prestige of Sir Ronald Leach (centre) to take over from Mr Tom Watts (right)

The standard SSAP 16 has imposed a heavy extra workload on accountants in industry especially over the past year, the period in which its implementation has become mandatory. Recently the stirrings of protest have again become loud enough for the ASC to have thought it necessary to prepare a statement defending current cost principles.

There is no question of SSAP 16 being withdrawn, certainly not ahead of the formal review promised after three years of operation. But the ASC has recognised that it would be impolitic to impose a stream of further accounting standards at a time when much of industry is struggling for mere survival.

At the same time, the ASC rejects the view that its future role can be reduced to a mere care and maintenance job, reviewing and updating existing standards. It does not accept, either that much of its responsibilities are being taken over by the EEC Commission, through the development of complex legislation on company accounts.

Compared with the equivalent body in the U.S., however—the Financial Accounting Standards Board—the ASC lacks an adequate power base. Whereas the ASC has to rely on the uncertain loyalty of its parent accountancy bodies, the FASB is backed by the statutory muscle of the Securities and Exchange Commission. It was primarily the backing of the SEC that allowed the FASB to bulldoze through its own inflation accounting standard, FAS 33.

Ironically though, it is the troubles experienced by the Americans in the area of currency translation which have delayed the publication of a British standard on this important subject. It is now likely to be next spring before the UK standard is published.

The ASC is now bracing itself to launch public debates on two hot subjects which have long been on its agenda but which have slipped repeatedly down the timetable.

Next month the ASC is due to publish an exposure draft or consultative document on leasing. That is expected to produce howls of protest from leasing companies because it will require their customers to capitalise leasing obligations in their balance sheets.

And tentatively scheduled for the early part of next year is the publication of research and discussion material on accounting for pension costs, a subject which shares much of the pitfall potential of current cost accounting. Not only is the subject bristling with technical problems, but it will also require the disclosure of liabilities about which many companies would rather be discreet.

It is worth noting that nothing so definite as an exposure draft on pensions is envisaged at this stage. Rather than lose face when drafts have to be heavily revised—and possibly in the jargon "re-exposed"—before the production of a full standard, the ASC is increasingly adopting a three-tier approach.

The method means that the ASC will have the chance to study public response before it pins its authority on any draft. But the three-tier process inevitably means that the development of a final accounting standard will take a very long time.

Other matters on which work by the ASC is at a fairly advanced stage include segmental reporting (the breakdown of group results between different classes of business or geographical areas of operations) and a review of the treatment of extraordinary items.

The latter subject is already covered by SSAP 6, but the recent wave of restructuring by industry has thrown up numerous anomalies.

Next month, too, the ASC is to publish a specially commissioned report by Professor Richard Macve, of Aberystwyth, on the thorny subject of the so-called "conceptual framework."

With all this going on, there is no doubt that the ASC currently has a substantial workload. Indeed, the fortnightly meetings are too frequent for many of the Committee, and attendance is often no more than about half the membership of 24.

But many of the ASC's projects are of a highly specialised character, and after its experiences over current cost accounting it appears to have lost much of its capacity to press ahead in controversial areas. It is handicapped by concerted opposition from accountants in companies, and by the lack of equivalently strong support from the users of accounts.

The choice of the next chairman will be a crucial factor in this. Mr Watts is a technical expert, and has effectively retired from Price Waterhouse, so he has had the time to draft much of the ASC's output himself.

The indications are, however, that the CCAB will be seeking as chairman somebody in a stronger position to cope with the political pressures within the accountancy profession.

The comparison here will be with the first chairman of the ASC, Sir Ronald Leach, one-time senior partner of Peat Marwick Mitchell, and a powerful figure within the profession. The hiring by the ASC of its first technical director, Mr Christopher Morgan, could help to take some of the technical pressure off the chairman.

According to Sir Douglas Morpeth: "Because there are some controversial issues in the pipeline there has to be more discussion to make sure that what comes out has a reasonable chance of success."

The challenge for the accountancy profession will be to find a sufficiently senior candidate to take on what will still be almost a full-time job.

Mr Watts talks frankly about the difficulties that lie ahead. "We have gone slowly lately—deliberately," he says. "It will take a long time. But either the accountants do it—or you will have to hand over to an SEC."

ICL—correction

IN THE article on ICL published on September 16, reference was made to several departures from the company's senior management. We have been asked to point out that Mr C. M. Stuart, the company's deputy managing director—finance and administration—is leaving the company of his own volition on November 30 to become finance director of Metal Box. Mr Stuart was not at any stage under any threat regarding his continued employment with ICL.

Letters to the Editor

Presenting the full story

From the Managing Director, Good Relations Group

Sir,—I have recently returned from a business trip to the United States where I was concerned at growing hostility to UK businessmen resulting from the Northern Ireland troubles. It is extremely unfortunate that relations with one of our closest allies and major trading partners should be soured by a failure of communications by our Government, which appears unable to explain the role of the British Army in Northern Ireland.

The Government, like its predecessors, has yet to learn the value of a properly structured communications programme. My experience is that business is ahead of Government in this respect, but both lag behind the Americans.

The Institute of Directors and the Public Relations Consultants Association are both encouraging the Government to introduce communications advisers at a senior level and I hope their advice is heeded. At the same time, the calibre of information personnel working within Government needs to be upgraded as a matter of urgency, while our representatives in key foreign posts should be fully trained in modern public relations techniques.

I hope for the sake of all British businessmen seeking to win export orders to the United States, that Ministers realise that more effective communications skills are now desperately needed.

Maureen Smith.
28 Bedford Square, WC1.

Security of tenure

From Mr J. Sutherland

Sir,—On all sides, private and public companies are going down like ninepins, while the ranks of the unemployed lengthen every day.

Yet, although Ministers come and go, the civil service goes on for ever. The strange history of the suspended Home Office scientist, Dr Clift, proves beyond doubt that our civil servants continue to be shielded from reality, because Dr Clift's pay, after he was suspended in 1977 at £7,984, rose to £13,448 by April, 1981; he will be paid that amount until March 1 1982, and will then be entitled to a lump sum of £14,120 plus index-linked pension.

Join the civil service for total job security and insulation from the facts of life.

J. D. Sutherland.
41 Westella Way,
Kirkella,
Hull.

Monetary weapons

From Mr W. Grey

Sir,—There is no reason to doubt the Bank of England's word that its recent action of raising money market interest rates was "primarily a response to the external situation"—which covers a multitude of sins. Why, then, should it necessarily be held to denote that "the attack on inflation is still the absolute economic priority" (Anatole Kaletsky, September 16), any more than earlier interest rate reductions were held to denote the reverse? It would be a pity if every such response came to be tarred with the same brush.

Again, the use of a "thoroughly justified" (your leader, September 15) monetary weapon on this or any other occasion should not be held to denote that those wielding it are monetarists (with all that term's connotations), any more than those — including the Government — wielding the fiscal weapon are therefore anti-monetarists ("goodies") or than, say, investors in gold are therefore gold bugs. Both types of weapon have their proper, unimpeachable place. Only, they need to be properly balanced. Neither should be carried to extremes.

Happily, the "external situation" will always provide a reliable early-warning system, requiring only an alert, resolute and, above all, timely response.

W. Grey.
12, Arden Road, Finchley, N3.

No answer to that

From Frances Kellett-Bowman

Sir,—I see from "Men and Matters" (September 14) that the Norwegian Labour leaders decided to give Mr Michael Foot a Rubik cube as an aid to sorting out his party troubles.

I wonder if, in fact, the cube they gave him was one of the new breed of cubes for which there is no solution?

Frances Kellett-Bowman.
28, Fairholme Road, W14.

Wage-regulating index

From Mr M. Anderson

Sir,—I broadly support Mrs Thatcher's views, but (without taking a definite stand for or against the Government's economic policies as a whole) it would seem reasonable to conclude that one of the major problems restraining more rapid success of the monetarist, anti-inflation package is that of wage increases.

Indeed, the recognised problem of wages rising at a rate above that of inflation, or above a level consistent with the growth of the economy, is not one acknowledged solely by the right-wing dogma of Friedmanite economics, but also by most credible economic schools of thought—wage freezes and limits have been a recurrent concept applied by both Labour and Conservative Governments. This being the case, would it not be a sensible and practicable proposal to introduce a wage-regulating consumer price index, by which both Government and unions would be bound?

The introduction of such a system need not be long-term, but could prove suitable for the present climate. The index should exclude energy prices and possibly indirect taxes, although it is difficult to visualise the unions accepting the latter. This would mean that the adverse inflationary effects of volatile energy price rises would be partly offset by their not being included in the vicious circle whereby they are reflected in wage increases. Unions could not then exclusively blame the Government if they did not obtain significant real increases in their incomes, but rather would be bound by a greater realism and by international market considerations.

The idea is not an original one, but one that should be given some serious thought. Whether the trades unions would display the sense of responsibility needed for such a statutory agreement is of course questionable, as is the Government's willingness to give way at all; it is regrettable that some steadfast polarisation of views should prevent discussion about a system that could prove beneficial for the economy as a whole.

M. J. Anderson.
125 Wise Lane,
Mill Hill, NW7.

The closed shop

From Dr F. Mann

Sir,—Perhaps you will allow me to revert to Justinian's article of September 7 on the "Closed shop—what Strasbourg ruling really means."

Justinian rightly points out that the majority of 18 decided the case "very much on its own facts," and that "the judgment" did not "declare that there is a guaranteed freedom . . . not to belong to a trade union." What Justinian failed to mention is the hint in paragraph 52 of the judgment "that the notion of a freedom implies some measure of freedom of choice as to its exercise"—a hint which is of very special significance in the light of a further fact which Justinian does not mention at all: the majority of 18 included 7 judges, ie a third of the Court, who concurred in the result but whose reasoning lay in the unqualified pronouncement that "the negative aspect of freedom of association is necessarily complementary to, correlative of and inseparable from its positive aspect. Protection of freedom of association would be incomplete if it extended to no more than the positive aspect. It is one and the same right that is involved."

Justinian is of course entitled to think that the dissent by three Scandinavian judges is based on "persuasive reasoning," and therefore to discuss it at considerable and perhaps even disproportionate length. But it would be dangerous for public opinion to ignore the reasons which the seven put forward and with which 11 judges by no means disagreed.

(Dr) F. A. Mann.
Watling House,
35-37 Cannon Street, EC4.

Value-dating fund transfers

From Mr C. Mackirdy

Sir,—I would like to add a few points to Mr Hampton's letter of September 14 on value dating of telegraphic transfer.

The only usual evidence of the value date is in the letter from the company to the bank requesting it to make the telegraphic transfer of funds. It does strive, in a rather half-hearted fashion, to respect that date. From my experience working in the UK treasury department of a large multinational corporation, unless you pin down the banks, excessive float times appear to be the rule, not the exception.

The problem of following up back value interest repayments can be halted at an early stage, by excuses like "the line was down in the computer," "the satellite had a break in transmission" or "it was the other bank's fault." In this position it is often difficult to find concrete evidence of commitment by the bank on which to pin it down. Do not, however, take the belligerent attitude that the bank is always wrong, as close investigation can easily prove the exact opposite. The problem must be approached in a cool, logical way.

If other people suffer the same problems they may benefit from these general points which are mainly applicable to currency telegraphic transfers in more widely used currencies to countries with the supposedly more sophisticated banking systems. They could, however, be adapted to suit other situations.

Select four or five large transfers made recently in currencies and on routes regularly used, where long float times have occurred. Collect together and attach copies of all telexes, letters and any other evidence to back them up. Send this information with an explanatory letter to the managers of the bank that made the transfer.

Let them examine the evidence and request them to write back giving their side of the story. On receipt of their letter arrange a meeting with the manager of the bank to thrash out problem areas. Discuss with him at the same time the pros and cons of perhaps setting up bank deposit accounts in the currencies most regularly used by your company. This has been made possible since October 1979, when exchange control was ended. When making this decision a number of factors would have to be considered including the future strength of the currency chosen and relative interest rates.

Again, exchange letters, confirming everything that was agreed at the meeting, making special mention of agreed procedures, float times (eg, one day), and routing (eg, via x bank, New York).

Send a letter of authority to the bank authorising telegraphic transfer in plenty of time for the necessary arrangements to be made by the bank; arrange for transfer to be made early in the week, so that the bank does not delay the transfer over a weekend; detail date, company's name, currency and number of account to which the funds must be debited; detail value date (allowing for agreed float), company's name, account number, name of bank and its address to which the funds must be credited; send a telex to the company receiving the funds requesting it to notify you at once (again by Telex) the date that the funds were actually credited to its account; and follow up any discrepancies at once, in writing, to the same bank manager. Stand your ground, and do not give up until you are satisfied with the outcome.

The system may seem obvious and relatively simple, but is not very often actually used in practice. This procedure does not rid the treasury department of all its problems on telegraphic transfers, but greatly helps ease misunderstandings between bank and customer, and may reduce the possibility of the hard-worked company treasury department personnel going prematurely grey-haired, or being driven to an early death by drink. Anything that does that must be worth a try!

C. E. Scott Mackirdy,
39, Albert Mansions,
Albert Bridge Road, SW11.

Today's Events

GENERAL

UK: Liberal Party conference at Llandudno debates technology and economic strategy, and incomes—speech by Mr David Steel.

Royal United Services Institute for Defence Studies, Whitehall, Civil Defence conference.

Deadline for Lothian Region to respond to Government demands for expenditure cuts.

Institution of Mechanical Engineers two-day conference opens on management skills for engineers—money, the law and people, at Surrey University.

Robb-Caledon shipyard closes—Confederation of Shipbuilding and Engineering Unions impose overtime ban in shipyards.

Fleet Street print unions meet to formulate wage claim.

Mr James Callaghan, former Labour leader, opens factory extension, Cardiff.

National Carriage Driving Championships open, Smith's Lawn, Windsor (to September 20).

Sir Ronald Gardner-Thorpe, Lord Mayor of London, opens Laser Room at Whittington Hospital, Highgate Hill.

Overseas: Sir Keith Joseph attends British Chamber of Commerce meeting, Tokyo.

European Parliament session concludes, Strasbourg.

West German Cabinet discusses EEC budget contribution, Bonn.

OFFICIAL STATISTICS

Department of Employment publishes retail prices index for August. Central Statistical Office issues August figures for tax and price index; and cyclical indicators for the UK economy.

COMPANY MEETINGS

Assam Trading, Royal Station Hotel, York, 12.00. Hogg Robinson, Baltic Exchange, 14-20, St Mary Axe, EC, 12.15. Marling Industries, Charing Cross Hotel, WC, 12.00. Moran Tea, Sir John Lyon House, High Timber Street, EC, 12.00. RFD Group, Winchester House, 100, Old Broad Street, EC, 12.00. William Ransom, 104, Bancroft, Hitchin, Herts., 3.00. Unitech, Great Eastern Hotel, Liverpool Street, EC, 12.00. John Waddington, Wakefield Road, Leeds, 12.00.

COMPANY RESULTS

Final dividends: Macallan-Glenlivet. Westminster and Country Properties. **Interim dividends:** Breedon and Cloud Hill Lime Works. Chas. Early and Marriott (Witney). Keep Investment Trust. **Interim figures:** Frank G. Gates. Tollemache and Cobbold Breweries.

GKN returns to profit with £6.4m in first half

WITH BETTER results from overseas and a reduced rate of losses in the UK, **Guest Keen and Nettlefolds**, manufacturer, re-roller and drawer of steel, returned to profits in the first half of 1981 with £6.4m pre-tax, compared with a £37.4m loss in the 1980 second half. However, it was much lower than the *£36.2m surplus for the first six* months of last year.

Turnover was down from £1.07bn to £930.2m, but was ahead of the £855m for the second six months of 1980.

The directors warn that results *should not be interpreted as an* indication of the beginning of an economic upturn for the UK, where demand is expected to continue at the current low levels.

There are no indications of early *improvement and short-*time working still continues in a number of operations, they state.

"Any further improvement in the financial results will reflect the benefits flowing from the severe and costly actions taken in the UK during 1980 and on a reduced scale in 1981, together with the continuing strength of our overseas businesses."

The interim dividend is maintained at 4p net per £1 share—last year's total was 8p.

At the AGM in May, in regard to UK operations, it was reported that there were some indications in March and April that demand was no longer falling and that the de-stocking cycle was coming to an end. The remaining months of the half year to June re-inforced these trends, the directors say, but with demand generally stabilising at low levels.

Overseas, the group's European transmissions operations continued to perform well, although with some pressure on sales volume and margins, while there were better trading conditions and improved results, both in India and South Africa.

In the U.S. the first of the new transmissions plants became fully loaded and is making an increasing profit contribution. Pre-production costs are still being incurred in respect of the second plant in the course of commissioning, directors explain.

The automotive parts distribution side in America continued to maintain satisfactory progress.

A divisional analysis of turnover and trading surplus, £27m (£53m), shows: automotive components £339m (£384m) and £16m (£23m); wholesale and industrial distribution £218m (£251m) and £2m (£10m); general steels £46m (£78m) and £6m loss *(nil)*; special steels and forgings £111m (£139m) and £3m (£4m); fasteners £61m (£69m) and £2m (£6m); industrial services £66m (£55m) and £6m (£4m); other activities £134m (£178m) and £4m (£6m); inter-group sales totalled £45m (£86m).

The general steels division comprises only those operations which were transferred to Allied Steel and Wire (Holdings)—jointly owned by British Steel Corporation and GKN—at the end of June last. The other operations previously included in this sector were re-allocated almost entirely to the special steels and forgings side.

A geographical analysis of the trading surplus shows that the UK suffered a first-half loss of £5m compared with a £22m profit.

Above the line, depreciation took £29m against £24.3m, and redundancy costs in on-going activities amounted to £6.7m (£2.5m).

Investment income and interest receivable was £1.4m (£1.8m), interest payable totalled £26.5m (£22m) and share of associates' profits was £4.1m, compared with £3.8m.

After tax of *£15.1m (£17.8m)* and minority interests, £3.1m (same), there was a loss for the period of £11.8m, against a £15.3m profit.

Extraordinary debits amounted to £11m for the six months—*totals for the whole of 1980 were* £50m.

See Lex

HIGHLIGHTS

Lex looks at the latest half-year figures from **GKN** where the collapse at the pre-tax level from £36.2m to £6m is actually better than had been expected and the shares reacted favourably to the news with an 11p rise. **Foseco Minsep** announced terms for a £24m rights issue which set the shares plunging on earnings dilution fears. *By the close the price* was 26p lower at 200p. Lex also looks at the compensation terms proposed in a draft bill before the French Parliament on nationalisation, and then considers the money supply figures for banking August which reveal the sharp rise in bank lending cited by the Bank in its decision to raise interest rates this week. On the inside pages retailer **UDS** reports some better-looking figures, thanks to loss elimination now that **John Myers** has been sold.

Harold Perry lower at £1.6m

ON TURNOVER well down from £64.34m to £47.78m, pre-tax profits of **Harold Perry Motors** fell to £1.58m for the first six months of 1981, compared with £2.12m, but the interim dividend is maintained at 1.5p net per share.

Mr J. F. Macgregor, chairman of this Ford main dealer, says, however, that in each of the three months, June, July and August, group profits have been substantially greater than in the same months of 1980.

"Whether we can maintain this trend in the remainder of the year and overtake last year's results will depend on a number of factors which we can neither predict nor control."

Pre-tax profits for the whole of 1980 were £3.42m.

The interim dividend is held at 1.5p net per share and the directors hope to recommend a maintained final payment of 2p.

Earnings are shown as 5.3p (6.1p) per share.

After six months' tax of £620,000 (£1.02m), an extra-ordinary credit last time of £96,000, and dividends, £271,000 (same), the retained balance *came through at £686,000 com*pared with £930,000.

Mr Macgregor says in many respects the business climate has been even less favourable than in 1980 for the retail motor trade. Retrenchment and forced economies by *companies and* private motorists have reduced the demand on workshops for repairs and servicing.

New car sales volume has been significantly affected by the curetailment of fleet-owner *purchasing and the group is still* awaiting signs of recovery in the deeply depressed commercial vehicle business, he states.

He explains that in the first half the group's trading acivities which produced greater profits than in 1980 were the hire purchase company, self-drive hire operations, accident repair departments, and used car sales.

● comment

Harold Perry looks to be surviving this slump in reasonable order. Although profits have dropped by more than a quarter, the figures show the first glimmers of an upturn. The three summer months have brought a marked improvement in margins for Perry's motor trade and like the rest of the sector August car sales were among the best in years. The commercial market meantime remains difficult while fleet sales are so scarce the company has turned away deals rather than take the poor returns. However, profits have improved in the company's four non-motor trade activities and should help hold the pre-tax profit for the full year around £3¼m. This indicates a reasonable multiple of about 10. The *maintained final* has been assured, giving the shares, up 1p yesterday to 95p, a prospective yield of 5.4 per cent.

SPAIN

Sept 17	Price %	+ or −
Banco Bilbao	394	
Banco Central	380	
Banco Exterior	320	
Banco Hispano	328	+4
Banco Ind. Cat.	119	
Banco Santander	384	+2
Banco Urquijo	247	+3
Banco Vizcaya	404	+4
Banco Zaragoza	270	
Dragados	204	+2
Espanola Zinc	76	
Fecsa	72.2	
Gal. Preciados	58	
Hidrola	82	+0.8
Iberduero	58.2	+0.2
Petroleos	122.7	+1.7
Petroliber	82	
Sogefisa	51	
Telefonica	87	−0.5
Union Elect.	78.5	+0.5

Manson Finance expands

PRE-TAX PROFITS of **Manson Finance Trust** rose to £1.53m in the 14 months to June 30 1981. The figure for the preivous year was £891,000. Group revenue was *£6.9m in the 14-month period,* and £4.24m in the previous year.

The final dividend is 1.5p net on increased capital against 2p. This will leave a higher proportion of profits to strengthen its capital base.

The board is proposing that its borrowing powers should be increased from seven to 10 times shareholders' funds to allow for further expansion.

The group's existing businesses continued to make progress, says the board, and all new divisions, other than leasing, operated satisfactorily. Exceptional losses of £251,000 have been incurred in the leasing division, but new management has been appointed and the directors are confident that the past problems have been eliminated. They look forward to further consolidation and growth in the current year.

There was a tax charge of £845,000 (£481,000) and after minorities of £1,000 this time the retained surplus was £245,000 (£66,000).

Sales fall but UDS climbs by £3m

AN INCREASE of £3m to £5.08m in pre-tax profits is reported by **UDS Group** for the 26 weeks to August 1 1981. Sales, excluding VAT, of this holding company which operates through retail shops and departmental stores throughout Britain, fell from £206.3m to £198.74m.

Mr B. Lyons, the chairman, expresses pleasure at the improvement in profits, particularly when trading conditions are proving so unfavourable. He says the group is now seeing the benefits of the elimination of loss-making activities, together with a substantial reduction in its borrowings.

He says sales for continuing businesses in the first six weeks of the second half show an increase of 10 per cent. He expects to see a continued recovery from last year's profit level of £12.05m, when the year-end results are announced.

Operating profit in the first half improved from £8.79m to £9.76m and included associates share of £718,000 (£338,000). Depreciation and amortisation was £3.25m (£3.41m) and interest charges were substantially lower at £1.43m, compared with £3.33m.

After tax up from £820,000 to £1.53m, earnings came out at £3.56m (£1.23m). There were extraordinary credits of £631,000 (£790,000), leaving attributable profits up from £2.02m to £4.19m.

Stated earnings per 25p share were up *from 0.8p to 1.9p*, and the interim dividend is maintained at 2.6p—last year's total was 6.21p.

Mr Lyons, reviewing the first half, says the group's multiple *shop chains*, with their broad geographical spread, were exposed to the severe reduction in demand for clothing and footwear which has accompanied the general economic recession.

Turnover levels were poor, particularly in areas of high unemployment, and profits were also affected by large increases in local authority rates. Approximately 50 Van Allan shops ceased trading in the period, giving rise to a temporary loss of sales and profitability.

He says the transfer of these branches to its other multiple shops is proceeding according to plan and the benefits of these moves will shortly become evident.

Steps have been taken to increase productivity in the home shopping businesses through a reduction in branches and manpower. Expenses and working capital were tightly controlled and efforts made to sustain the rate of cash collections were successful. Trading was exceptionally difficult and the comparative results reflect the elimination of losses in mail order.

The group's Duty Free businesses generally benefited from the strength of the U.S. dollar. Once again its shops on ships produced satisfactory results. UK airport activities were affected by the reduced volume of air passengers this year, but it was helped by earnings from additional contracts. The associate company in Rio de Janeiro is now showing a marked improvement.

In property, the group's portfolio included well over 1,000 high street shops with a value of over £250m. Mr Lyons says property is an integral part of the group's business, generating substantial annual profits. In future the results of the property division will be shown separately in the accounts.

A divisional breakdown of turnover and pre-tax profits shows: multiple shops, £67.04m (£69.33m) and £724,000 loss (£685,000 profit); department stores, £61.51m (£53.99m) and £710,000 (£2.03m); home shopping, £26.84m (£46.5m) and £1.94m (£1.44m loss); export and overseas, £43.35m (£36.52m) and £1.62m (£1.58m).

Because of the different financing structure, profits shown in the breakdown are not comparable with those for last year.

Profits from property and investment was up from £2.18m to £2.24m.

UDS takes in Richard Shops, John Collier Menswear, Allders, and Arding and Hobbs among its department stores and John Blundell and Alexander Sloan in the home shopping field.

● comment

The profits recovery at UDS is entirely accounted for by the disposal of the agency mail *order* business John Myers, which lost £3.4m in the first half of last year. The lower interest charge largely reflects the sale of trade debtors to Citibank which is offset by lower operating profits in department stores. *overall, this division has kept its* head above water. The group seems to have made a satisfactory start to the second half but the rise in interest rates may hit consumer spending over the vital run-up to Christmas. UDS profits for the year may be up from £12m to £18m, excluding dealing profits on High Street sites which the group now intends to take above the line. At 75p, up 5p, the shares trade on 16 times fully-taxed earnings but are supported *by a* 12¼ per cent yield.

Booker McConnell declines

ALTHOUGH PRE-TAX profits of **Booker McConnell**, the international food, engineering and trading company, declined from £5.62m to £4.38m in the first half of 1981, Mr Michael Caine, the chairman, says *the second half*, as usual, will produce substantially higher earnings than the first six months.

After allowing for a loss in engineering, he expects profit for the full year to exceed that of 1980 although he points out that the extent of the increase will depend on trading in the important last quarter of the year—1980 profits before tax totalled £15.17m.

The interim dividend is being increased from 1.25p to 1.375p net per 25p share—last year's total was 3.125p.

Turnover for the first half rose from £349.3m to £405.5m.

The attributable balance for ordinary shareholders emerged at £3.78m, against £2.34m, after minorities of £504,000 (£1.25m), a much-reduced tax charge of £84,000 (£2.02m), preference dividend payments the same at £13,000 but before extraordinary debits of £2.9m (£2.04m credits).

The extraordinary debit includes £2.46m which has been applied as a provision against the balance sheet value of the group's investment in Goodman Equipment Corporation of the U.S.

Stated earnings per share were higher at 3.03p (1.88p).

After ordinary dividend payments of £1.72m (£1.56m) there was a retained deficit of £838,000 (£2.82m surplus).

Mr Caine says the half-year *result* was *marginally higher* than was expected at the time of the AGM in May. He says there were better performances in some divisions but engineering had a period of very low activity with sales down by 7 per cent and *further redundancies* were necessary—the division made a loss of £1.5m (£48,000 profit), slightly worse than expected, which included £800,000 for redundancy and production rationalisation costs.

Group redundancy and closure costs totalled £994,000 in the half year (£384,000).

The chairman says three factors contributed to a *substantial* rise in attributable profit before tax in food distribution—up 153 per cent to £1.8m: New earnings from the Warriner and Mason cash and carry business acquired in September 1980; a better performance in all existing operations except retail; and a much-reduced interest charge.

In health products and pharmacies in the UK, health foods advanced strongly with *continued growth in the whole*sale division and the chemists business also improved. Losses were incurred in the U.S. and Canada as a result of market development expenditure. The division's profit was up 25 per *cent at £1.2m.*

Spirits and liqueurs were affected by reduced demand in major overseas markets, but home sales suffered less than those of the trade generally. Profits have declined 17 per cent to *£786,000.*

The loss in shipping *(£396,000* against a *profit of £442,000)* resulted from the seamen's strike and a series of exceptional incidents affecting individual ships.

The substantial profit increase in agriculture—100 per cent up at £1.2m—reflects a strong performance by IBEC's poultry breeding business.

International trading, authors and parent company divisions contributed a total profit of £770,000, a rise of 20 per cent.

Excluding the unprofitable engineering and shipping divisions profits were nearly 50 per cent up on the first half of 1980.

On a CCA basis the pre-tax figure for the half year is reduced to £1.51m (£1.43m).

● comment

Booker McConnell's shares are standing midway between the 1981 high and low points at 60p, unchanged yesterday, and it is not hard to understand the market's equivocation. The businesses which it has added to a very loose-knit portfolio are progressing well, notably Warriner and Mason which has proved a substantial force behind the food distribution advance. Agriculture is strong and is set to make further gains through the IBEC tie-up. So, is Booker right to make much play of the fact that ex-shipping and engineering profits have climbed 50 per cent at the interim stage? The answer must be a guarded "yes," bearing in mind the big acquisitive spending of last year; so long as the two trouble spots are seen to be coming right. The shipping division has been afflicted by so many extraneous factors that it is hard to escape the conclusion that its contribution must recover, for all that the West Indies and coastal trades are subject to recessionary forces. In engineering, management action has pulled plenty off the critical list; the turnround was worth perhaps £500,000 with more to come. But there remain quite a number of problems—steel stockholding, hydraulic jacks, Houston and U.S. mining equipment all stand out and tangible action in all or most of these areas might help the share price off the fence. Booker after all will make a good deal more money in the second half, seasonal forces and an upturn at Budgen will see to that.

Foseco Minsep calling for £25.1m by rights

FOSECO MINSEP, the metallurgy, building products and speciality chemicals group, is raising £25.1m by way of a *rights issue of 13.8m shares on the* basis of one new share at 182p for every five held on September 10.

The company has reported first half results showing taxable profits of £11.39m compared with £9.4m. The interim dividend is maintained at 2.65p and the directors plan to recommend an increase in the final dividend from 3.9p to 4.35p.

The £24.25m net proceeds of the rights issue, the group's first *since 1968*, are to be used to strengthen the balance sheet in anticipation of international expansion.

Dr D. V. Atterton, chairman, said capital gearing had risen above 40 per cent by mid-year. "*Gearing much above 40 per* cent would have worried us."

He pointed out that capital spending has been higher than usual, partly because of the acquisition of Unicorn Industries last year, and three smaller purchases in the past six months.

The rights issue is subject to shareholders' approval of an increase in authorised capital at an extraordinary general meeting on October 2. Dealings in the new shares are expected to begin in nil paid form on October 5 and the final date for acceptances is October 23. The issue has been underwritten by N. M. Rothschild and Sons and brokers are Grenfell and Colegrave.

Commenting on trading, the chairman said a substantial amount of rationalisation has already been completed and benefits from this and from lower sterling are expected to show through during the second half.

Turnover, including share of associates, in the first half was £181.7m (£119.77m) and trading profit was £15.2m (£11.1m). After net interest payments of £3.8m (£1.66m), pre-tax profits were £11.39m (£9.4m).

After taxation of £4.6m (£4.1m), minorities of £607,000 (£389,000) and preference dividends of £84,000 (£22,000), attributable profits were £6.07m (£4.95m) or 9p per share (10.7p).

See Lex

John Lewis slightly ahead

SALES of the **John Lewis Partnership** improved £31m to £375.28m in the half-year to August 1, 1981, but pre-tax profits were little changed at £9.67m compared with £9.6m.

Mr Peter Lewis, the chairman, says trading profit of Waitrose supermarket group was up by about 20 per cent, but the figures for the department stores were about 6 per cent lower. He says the latter is not a straight comparison because the Partnership was without the benefit of the profitable John Barnes, and instead bore the costs of opening a new departmental store in Bristol.

He says central costs were higher principally because of the decision to increase the pensions of existing pensioners and because the computer department and its operations continue to expand.

He adds: "I don't know whether we shall manage to *match last year's profit* for the year as a whole. It has always seemed rather unlikely if only because of the special costs involved in Bristol and Peterborough, and the sale of John Barnes, but it's not out of our reach. The better-than-hoped for results for the first six months encourage me to believe we might just do it."

Although ahead of last year, Mr Lewis says sales have slipped below estimate for the first six weeks of August and September, which may be a signal that national sales are falling away a bit.

First half trading profit was marginally lower at £16.06m (£16.15m). Interest charges were £3.12m (£3.78m) and pensions fund contributions accounted for £3.29m (£2.77m). The surplus available for Partnership bonus and, subject to further tax, for retentions, £9.29m (£9.22m).

George Dew placing

CIVIL engineering contractor **George Dew**, which was acquired in 1978 by what is now Royal Volker Stevin, the troubled Dutch contracting group, is now *being sold back to its executive* directors by RVS for £7.8m.

At the same time, Minster Trust is arranging an offer for subscription for 7.6m ordinary shares, 95 per cent of those issued, at 102p per share. At the outset, the shares will not be quoted but the directors have undertaken to seek a quotation on the Unlisted Securities Market next year.

Minster said the offer was effectively a private placing. It would take up 1.6m shares and the remainder would be placed through brokers Laurence, Prust.

Dew is forecasting a profit before tax of £3.1m for the year to November 1 1981, which the directors point out would be significantly higher than achieved in the past because of two large contract completions. They suggest a moving three-year average would be more representative, producing a figure of £2.2m for 1980-81.

For a full year in which taxable profits of £2.2m were earned, the directors would expect to recommend dividends totalling 5.7p per share.

Net tangible assets at May 3, 1981 were £6.47m.

Dividends totalling *£3.7m* have ben paid to RVS in respect of 1979-80, compared to £824,000 in the previous year.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Wm. Baird	int.	5.6	Jan 12	5.6	—‡	12.95
Berkeley Hambro	int.	3.5	Dec 3	3	—	6.6
Boddingtons' Brews.	int.	1.6	Oct 9	1.4	—	3
Booker McConnell	int.	1.38	Jan 4	1.25	—	3.13
GKN	int.	4	Nov 11	4	—	8
Joseph Holt	int.	2	—	2	—	7.5
KCA Intl.	int.	2.75	Oct 30	2.5	—	5.25
Liverpool Post	int.	3.7	Oct 30	3.46	—	9.5
London Prov. Tst.		2	Nov 27	2	—	5.3
Manson Finance†§		1.5	Oct 26	2	3†	3.5
Thomas Marshall	int.	1.2	Nov 2	1.2	—	2.78
H. Perry	int.	1.5	—	1.5	—	3.5
Sale Tilney	int.	3.75	Nov 27	3.5	—	7.5
Steetley	int.	4	Oct 8	4	—	10.5
UDS Group	int.	2.6	Feb 26	2.6	—	6.21
Williams & James	int.	1.16	Nov 12	1.16	—	2.41

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Final of 7.35p forecast. § For 14 months.

LONDON TRADED OPTIONS

Sept. 17. Total Contracts 805. Calls 604. Puts 201

Option	Ex'rcise price	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	April Closing offer	April Vol.	Equity close
BP (c)	280	18	1	34	—	42	—	292p
BP (c)	300	7	14	21	—	32	5	"
BP (c)	320	3½	2	14	4	—	—	"
BP (p)	280	6	80	14	—	21	—	"
BP (p)	350	—	—	—	—	48	15	"
CU (c)	160	8	11	171	—	21	—	157p
Cons. Gld (c)	500	33	6	60	—	75	—	530p
Cons. Gld (c)	550	10	8	30	11	50	2	"
Court'lds (c)	60	3½	—	7	5	10	—	60p
Court'lds (c)	70	1½	—	4	7	6½	—	"
GEC (c)	700	50	1	80	5	105	—	732p
GEC (c)	750	20	1	47	—	72	—	"
GEC (c)	800	3	15	52	2	47	1	"
GEC (c)	850	1	—	13	—	28	2	"
Gr'd Met. (c)	160	28	10	—	—	—	—	180p
Gr'd Met. (c)	180	10	25	21	20	27	—	"
Gr'd Met. (c)	200	3	—	12	21	18	—	"
ICI (c)	260	20	15	34	10	44	—	272p
ICI (c)	280	9	85	22	16	32	—	"
ICI (c)	300	2	—	13	8	18	2	"
ICI (c)	330	1	—	6	6	—	—	"
ICI (p)	260	7	1	10	—	15	—	"
ICI (p)	280	14	—	16	5	22	—	"
ICI (p)	300	30	—	32	5	38	—	"
Land Sec. (c)	312	9	—	18	3	—	—	304p
Mks & Sp (c)	130	5½	1	11	—	15½	1	127p
Shell (c)	360	16	11	30	—	42	—	372p
Shell (c)	390	7	—	15	2	26	—	"
Shell (c)	420	3	—	8	5	16	—	"
		November		February		May		
Barclays (c)	500	10	—	20	10	—	—	455p
Imperial (c)	60	3½	—	7	12	8	—	69p
Imperial (c)	70	1	—	2½	15	4	—	"
Lasmo (c)	460	52	—	77	2	92	—	474p
Lasmo (c)	500	27	—	52	3	65	—	"
Lasmo (c)	600	6	—	18	—	27	8	"
Lasmo (c)	650	4	—	9	2	—	—	"
Lonrho (c)	80	6	—	11	50	12½	3	85p
Lonrho (c)	90	2½	—	5½	10	7	—	"
Lonrho (c)	100	1	—	2½	50	—	—	"
Lonrho (p)	90	8	10	10	—	13	10	"
P & O (c)	120	3	10	6½	6	9	—	115p
P & O (c)	130	1	30	3	—	—	—	"
Racal (c)	420	35	10	52	—	67	—	430p
Racal (c)	460	15	—	30	2	45	—	"
Racal (c)	500	3	—	16	14	30	5	"
Racal (p)	420	17	52	25	—	50	—	"
Racal (p)	460	37	12	43	—	60	—	"
Racal (p)	500	75	11	60	—	85	—	"
RTZ (c)	420	105	4	—	—	—	—	514p
RTZ (c)	460	70	—	102	1	—	—	"
RTZ (c)	500	37	—	72	2	—	—	"
RTZ (c)	550	23	5	50	2	67	2	"
RTZ (c)	600	13	1	32	6	47	—	"
RTZ (c)	650	5	—	12	6	—	—	"

C=Call P=Put

UK COMPANY NEWS

William Baird £1.6m downturn

PRE-TAX PROFITS of William Baird, textile and industrial concern, dropped from £3.49m to £1.89m for the first half of 1981, and Mr T. D. Parr, chairman, says there is unlikely to be any significant change in the general trading situation during the rest of the year.

He adds, however, that the seasonal pattern of higher second half profits is expected to be maintained. Surplus for the whole of last year was £8.1m.

The interim dividend is maintained at 5.6p net, and the directors intend to hold the total for the year at 12.95p.

Mr Parr says that during the six months it was necessary to yield ground in the process of adjusting to changing economic conditions and in further strengthening production capability in areas important to the group's future.

Group turnover amounted to £66.74m (£63.87m) and with operating profits of £2.81m (£4.75m) they were split as to: textiles—Baird Textile Holdings £47.51m (£47.08m) and £1.51m (£2.98m); industrial—Darchem £19.29m (£16.79m) and £718,000 (£997,000). Investments including deposits were £585,000 (£796,000).

Commenting on the textile sector, the chairman says that the first six months proved to be "one of the most difficult trading periods yet encountered." To enable production units to continue to operate at economic volume levels, "erosion of margins has had to be accepted."

These are better order books for the second half, but the pressure on margins is unlikely to ease, he states. Production potential is being maintained, however.

Darchem's profits were reduced through low demand for conventional insulation and for most construction and engineering services. "This situation is *expected to persist throughout* 1981 and, in many market areas, into 1982 as well."

Activity in certain key areas *has been well maintained, however*, and has arisen from Darchem's role in the nuclear power and aerospace industries.

Group profits were struck after interest charges, well down from £1.06m to £698,000, and subject to lower tax of £450,000 *against £1.42m*.

The attributable balance came out at £1.43m (£2.07m), after minority interests of £7,000 *(same), of which the interim* dividend will absorb £925,000 (same).

Mr Parr says the balance sheet is strong *and investment in new* and improved facilities continues.

● comment

The recession has caught up with William Baird and the shares took a 10p tumble yesterday to land at 193p. Margins in the textile division halved to just over 3 per cent thanks to stagnant prices. On the industrial side, which now accounts for about 30 per cent of sales, demand has dropped away sharply and is not expected to pick-up until mid-1982. A seasonal upturn is expected in the second half which means the company could turn in £5m pre-tax for the full year against £8.1m last year. Longer-term, the AGR contracts for Darchem should start working through to profits by 1983. For the present, the group remains awash with cash thanks to the £12m it still has from selling its stake in Dawson. The company says it has no immediate plans but its cash resources and potential for diversification are reflected in its rating of about 13. The dividend, meanwhile, is assured, giving the shares a prospective yield of nearly 10 per cent.

Sale Tilney moves up midway

TAXABLE PROFITS of Sale Tilney and Co, the London-based holding concern, edged ahead from £710,000 to £754,000 for the half year to May 31 1981 and the directors say they are cautiously hopeful that profits for the full year will be modestly higher than last year's.

They point out that although trading conditions remain extremely difficult in most sectors, the spread of the group's activities continues to provide a secure base for profitable operations.

The directors add that the successful reorganisation of Peabody Foods has now brought that company back into profit.

The interim dividend is being stepped up from 3.5p to 3.75p net per 25p share—last year a total of 7.5p was paid from pre-tax profit of £1.94m (£2.18m).

Sales were lower at £27.76m (£31.36m). Tax for the half year took £190,000 (£162,000) and after minority losses of £29,000 *(£31,000 profit) the attributable* balance came through at £593,000, against £517,000, out of which interim dividend payments absorb £179,000 (£167,000).

Ward and Goldstone prospects

Mr Sampson Goldstone, chairman of Ward and Goldstone, electrical engineers, told the annual meeting that results for *the half year to the end of September* would show sales approximately the same as they had been for the similar period *last year. The turnover had* been achieved with a depleted labour force.

Most of the group's factories, with one exception, were now working full time, but he said it would be stupid to forecast the future.

He believed that the profit figures for the half year would be less disagreeable than those issued a year ago.

Exchange gain lifts KCA Int.

FOR THE first half of 1981 KCA International has held its profit at just over £2m, but the addition of £3.16m exceptional *gain on a foreign exchange* transaction gives £5.19m this time.

The directors state that the *outlook for profits and trading* activities during the second half is one of optimism.

They are raising the interim *dividend from 2.5p to 2.75p per* share: the total for the year 1980 was 5.25p paid from a pre-tax profit of £3.69m.

Turnover for the half year expanded from £11.24m to £16.89m. The profit also took into account losses in respect of associated companies of £47,000 (£35,000).

After tax of £1.29m (£842,000) the attributable profit came out at £3.89m (£1.15m), for earnings of 10.85p (4.3p) per share.

KCA is now operating, as was planned a few years ago, as an oil finance house. The transition has been *achieved by pursuing* a policy of encouraging wider ownership of operating subsidiaries and associates, two of *which now have their own public* quotations. This will mean that *future profits will be derived from these activities and also* from trading interests.

The implementation of this *strategy* has already helped raise new funds for further investment and business development. Its continuation will result in bringing in new outside majority or minority participants in other subsidiaries.

● comment

KCA International's half-way profits have been given a timely boost by £3m of currency gains on forward buying of dollars for the financing of a new drillship. Setting this exceptional gain aside, however, pre-tax profits are little changed on the first half of last year, despite a sharp increase in turnover. The second half should see a distinct improvement in the underlying trend. KCA Drilling Group, the subsidiary floated off in June to a poor market response, has just started work off Spain with its new drilling rig and with day rates running as high as £40,000, its full year profits should be substantially higher. KCA International's drilling mud and engineering subsidiaries are reporting increased turnover, but have yet to fulfil promises of sustained rising profitability. Full year pre-tax profits of £8.5m seem possible, giving a fully taxed p/e of 14. The shares closed yesterday at 136p, up 3p, giving a yield of 6.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Breedon and Cloud Hill Lime Works, Dinkie Heel, Charles Early and Marriott (Witney), Garton Engineering, Keep Investment Trust.

Finals: David Dixon, Goodman Bros. and Stockman, Macallan-Glenlivet, Thomas Walker, Westminster and Country Properties.

FUTURE DATES

Interims—	
Alpine Holdings	Sept 24
Alva Investment Trust	Sept 24
Arncliffe	Sept 28
Brent Chemicals International	Sept 28
Clarke Nickolls and Coombs	Sept 24
Dunlop	Sept 24
Edinburgh Investment Trust	Oct 12
Elbar Industrial	Sept 30
Hiltons Footwear	Sept 28
Holt Lloyd International	Oct 7
Ibstock Johnsen	Oct 14
Portsmouth and Sunderland Newspapers	Oct 28
600 Group	Nov 26
Thomson T-Line Caravans	Sept 30
Trust Union	Oct 28
Wills (George)	Sept 24
Finals—	
Casket (S.)	Sept 24
Estates Property Investment	Sept 22
Ferry Pickering	†Oct 1
Fitzwilton	Oct 15
Hunt & Moscrop (Middleton)	Oct 8
Lowland Investment	Oct 16
Mucklow (A and J.)	Sept 25
Zetters	Sept 22

† Amended

Marshall Loxley improves

HALF-TIME pre-tax profits at Thomas Marshall and Co (Loxley) improved from £226,000 to £270,000 up to June 30 1981. The interim dividend is being held at 1.2p net; total for the last full year was 2.776p.

Stated earnings per 25p ordinary share were 3.88p (3.08p).

Profits for the two previous half years were marred by national unrest, says Mr W. T. Hale, the chairman. This year has been free from such strife, and if this continues for the rest of the year, he is optimistic that results will match those of 1980, when pre-tax profits were £847,000 on sales of £18.1m.

The improved first-half profit was achieved on lower sales of £8.66m (£9.36m). The results have benefited from lower borrowings—interest costs were *£204,000 (£271,000)—and slightly* lower depreciation at £147,000 (£152,000). The debit for extraordinary items was down to *£17,000 (£31,000)*, and tax was the same again at £50,000.

Attributable profits came out at £198,000 (£140,000) after preference dividends of £5,000.

At home there was a marked absence of capital spending by the industries that need the group's products. The home steel industry has contracted and reduced consumption of bulk items. This reduction will be permanent and has caused more redundancies in 1981, though not on the scale of 1980

The group manufactures carbon for chemical and metallurgical industries, refractory and heat insulating materials.

GRESHAM HOUSE

In yesterday's preliminary report on Gresham House Estate Company it was inadvertantly stated that mid-year taxable revenue was ahead after a £375,000 provision in respect of Prenwain Developments. The report should have read before a provision for Prenwain Developments.

Boddingtons' lifts profit & interim

SATISFACTORY first-half results are reported by **Boddingtons' Breweries**, with pre-tax profits rising 19.8 per cent from £2.34m to £2.81m up to June 27 1981. The net interim dividend is raised from 1.4p to 1.6p.

"With the recession and the very poor weather in spring and early summer," says Mr Ewart Boddington, chairman, "our first-half results may be regarded as satisfactory. The prospects for the full year are encouraging."

Turnover rose by 18.3 per cent from £11.39m to £13.47m. Interest charges were down at £41,000 (£61,000) and depreciation increased to £237,000 (£206,000). Tax went up to £1.35m (£1.05m) and there were extraordinary credits of £201,000 (nil). Retained profits were £1.12m *(£824,000). Stated earnings per* ordinary 25p share were up to 8.33p (6.95p) before tax and extraordinary credits, and to *4.33p (3.85p) after those items.*

The pattern of trade was more variable, but market share increased. The rise in volume is attributed by the chairman to the popularity and competitive price of Boddingtons' beers.

Tied trade sales have been maintained and further progress has been achieved in the free trade, which was up by more than 10 per cent, and now represents 21 per cent of sales.

Two new Boddington pubs were opened in the period and three others bought. The company is looking for more good houses to add to its estate, which now totals 272 pubs.

The company intends to keep wholesale and retail prices at competitive levels. An increase will, however, be necessary soon to offset the continuing rise in costs faced by both the company and its licensees.

● comment

So far as it is possible to continue arguing for a share which is way out of line with the rest of its sector, **Boddingtons** still presents a useful case for maintained support. Interim profits are up by a fifth and, if the usual second half bias persists, the group should be presenting something around £6.2m for the year as a whole and at least pushing its final dividend ahead in line with the half-time distribution. Gaining 3p yesterday to 164p, the shares are trading at almost 18½ times prospective fully taxed earnings and yielding only about 3 per cent. It is tempting, perhaps, to capitalise on the surge which has taken the shares up from a low of 100p this year but the group is showing no sign of running out of steam. A distinct price advantage is inter-reacting neatly with the volume gains it is achieving—barrelage rose 1½ per cent in the first half against *a national 7 per cent volume dip* —it has plenty of capacity in hand after recent capital investment and is translating these *operating advantages into free* trade expansion. The shares remain a firm hold.

Scottish and Mercantile Inv.

Pre-tax profits of the Scottish and Mercantile Investment Company totalled £505,856 for the *six months to March 31 1981* and a dividend of 5.5p net per 25p *share is being paid*

The company is proposing to change its accounting date to March 31 so the results compare with the six months to September 30 1980 when the taxable surplus amounted to £509,466 and a dividend of 5.35p was paid.

Tax this time took £198,240 (£187,431) and after minorities of £28,718 (£27,066) the attributable balance was down from £294,969 to £278,698.

Stated earnings per share were 5.64p (5.98p).

The next published accounts will be for the 12 months to March 31 1982.

Liverpool Post halftime profits recover to £1.8m

COMPARED with a restated and loss-affected figure of £660,000 previously, taxable profits of the Liverpool Daily Post and Echo nearly trebled to £1.82m for the 26 weeks ended June 27 1981, on turnover up from £24.4m to £29.04m.

There were major losses last time, following a national printing dispute.

Despite the *continuing recession* the directors expect a year-end result confirming the group's recovery from "the poor 1980" pre-tax figure—it dropped from £4.11m to £1.47m.

The daily and weekly Merseyside newspapers are now better *placed* to benefit from any improvement in the local economy, although the directors say this seems unlikely in 1981.

They add that there were encouraging results overall from North America and from the UK papermaking and packaging *division which have continued* into the third quarter of the year.

After tax totalling £720,000 against £204,000, earnings attributable came through well ahead at £1.1m (£456,000) giving a per share value *of 9.8p compared* with 4p.

The interim dividend is increased to 3.7p (3.462p) net—last year's final was 6.038p.

After a major cost-reduction exercise, the daily newspaper division traded profitably in the first half; both the Daily Post and the Liverpool Echo are produced by photo-composition.

The directors say the economic climate on Merseyside *remains* difficult and advertising revenue is concernedly low.

Newspaper publishing in the U.S. and papermaking and packaging in the UK both traded successfully during the six months, and there was a record profit from Canada.

The directors add that the exchange rate for sterling against the dollar has assisted the recovery of Trinity Paper Mills.

In the U.S., the recent acquisition, Panax Publishing of Chicago, traded *satisfactorily*, but there was a setback in Pittsburgh, where the loss of a major printing contract slowed plans for expansion.

Liverpool Daily has close status.

Berkeley Hambro declines but expects year-end rise

PRE-TAX PROFITS of Berkeley Hambro Property Company declined marginally from £2.1m to £2.08m for the first half of 1981 due to very much lower property dealing profits, down from £365,000 to £42,000, and a reduction in management services income which fell back to £146,000, compared with £296,000.

The directors say, however, that sales recently contracted will lead to a useful increase in property dealing profits in the second half and the overall surplus for the group for the year, both before and after tax, should show an improvement on 1980.

The interim dividend is being increased from 3p to 3.5p net per 25p share—last year's total was 6.6p.

Rental income for the half year improved from £2.58m to £2.66m and interest receivable moved up to £812,000 (£448,000). Property outgoings and management expenses took £1.19m (£1.2m) and interest payable was the same at £400,000

After tax of £507,000 (£788,000) the net balance emerged higher at £1.57m *(£1.31m)—a rise of 20 per cent.*

There was an extraordinary credit of £45,000 (£23,000 debit) and a transfer to reserves of £45,000 (£23,000 transfer from reserves).

Two industrial property investments have been purchased in Maidenhead for a total consideration of £3.5m and a further £1.3m has been invested in shop properties in Bristol, Derby and Grantham. All these properties, with the exception of Derby, are fully let, the directors say, and offer good reversionary prospects.

LEADERS AND LAGGARDS

Percentage changes since December 31, 1980, based on Tuesday, September 15, 1981.

Contracting, Construction	+41.19	Consumer Group	+15.83
Insurance Brokers	+35.03	Mining Finance	+14.65
Tobaccos	+30.99	Newspapers, Publishing	+13.19
Other Industrial Materials	+29.24	Financial Group	+12.12
Health and H'sehold Products	+27.33	Motors	+11.34
Building Materials	+26.73	Banks	+10.50
Textiles	+25.62	Investment Trusts	+10.23
Food Manufacturing	+24.83	Brewers and Distillers	+ 9.77
Leisure	+24.33	Merchant Banks	+ 8.00
Capital Goods	+23.06	All-Share Index	+ 7.90
Engineering Contractors	+22.88	Office Equipment	+ 6.70
Packaging and Paper	+22.20	500-Share Index	+ 6.68
Insurance (Life)	+22.13	Property	+ 4.13
Metals and Metal Forming	+21.71	Stores	+ 2.70
Electricals	+21.17	Gold Mines Index	+ 2.68
Mechanical Engineering	+17.80	Other Groups	+ 2.43
Insurance (Composite)	+17.36	Overseas Traders	− 0.50
Food Retailing	+17.13	Chemicals	− 2.96
Industrial Group	+16.52	Shipping and Transport	− 7.02
Hire Purchase	+16.14	Discount Houses	−13.40
Other Consumer	+15.95	Oils	−25.72

The Rio Tinto-Zinc Corporation Limited

Report for the half-year ended 30 June 1981

The directors of The Rio Tinto-Zinc Corporation Limited announce that the unaudited net profit attributable to RTZ shareholders before extraordinary items for the first six months of 1981 was £47.0 million (18.58p per ordinary share), a decrease of £18.7 million (7.41p per ordinary share) from net profit in the previous six months and a decrease of £42.7 million (16.99p per ordinary share) in comparison with the first six months of 1980. The main reasons for the lower profit were a significant fall in metal prices compared with 1980 and a reduction in demand for and margins on some of the Group's products as a consequence of the continuing world-wide recession. These *factors together with industrial disputes* severely affected CRA results which were 80 per cent down on the same period last year.

Summary

The recession which has affected many of the world's economies since the early part of 1980 has been the dominant influence on the Group's results during the first six months of 1981. Many of the Group's operations have been able to sustain production and sales volume, but selling prices for most metals have fallen to levels significantly below those in the same period last year, the main exception being zinc. The average LME price for copper during the period was £818 per tonne compared with £1,025 per tonne in the first six months of 1980. Gold and silver prices were also lower, silver being approximately 50 per cent below the very high average prices realised during the first *half of last year. The LME price* for lead in the first six months of 1981 was £327 per tonne compared with £434 per tonne in the corresponding period of 1980.

Notwithstanding the lower metal prices, Group sales revenue for the first half of 1981 at £1,536.7 million was marginally higher than in the corresponding period for 1980. This improvement was due to the lower values for sterling used to translate the sales of RTZ's principal overseas subsidiaries compared with the rates used a year ago. Without this favourable factor, total sales revenue would have been approximately 11 per cent lower.

Group profit before tax amounted to £173.5 million, a reduction of £121.7 million, or over 40 per cent, compared with profit for *the corresponding period* in 1980. The reduction was due mainly to lower metal prices, especially for copper and gold which resulted in the contribution from the Group's copper operations being reduced by approximately two-thirds. The contribution from Hamersley Iron and the aluminium operations at Comalco were also significantly lower than in 1980. The principal operation with increased profit was RTZ Borax.

After deducting tax and the amount attributable to outside shareholders, net profit attributable to RTZ shareholders for the first six months of 1981 was £47.0 million (18.58p per ordinary share), a decrease of £18.7 million (7.41p per ordinary share) from net profit in the previous six months and a decrease of £42.7 million (16.99p per ordinary share) in comparison with the first six months of 1980.

Contribution to RTZ's attributable earnings from its principal activities

The CRA group's contribution to net profit for the period showed a decrease of £24 million compared with the first half of 1980, equivalent to a reduction of nearly 80 per cent. Apart from Kembla Coal & Coke, all the group's principal operations reported lower profits. Hamersley Iron was particularly badly affected with shipments of iron ore being nearly one-third lower than in the corresponding period last year, and costs were also adversely affected by industrial disputes. Production of lead and zinc concentrates from AM&S's mines was below the level achieved in the same period of 1980, mainly as a result of an industrial stoppage at Broken Hill and lower ore grades. Output of lead and zinc metals, however, was slightly higher than in the corresponding period of 1980. AM&S's net profit was below that for the first half of 1980, and the reduction would have been larger but for the exceptional silver profit realised in 1981 on completion of forward contracts made at high prices in the early part of 1980. Bougainville's output of copper was considerably higher than in the corresponding period last year, but net profit was reduced because of the lower prices for copper and precious metals. Exploration and development costs charged against CRA's profit were higher than in 1980.

Rio Algom's net profit showed a decrease from the first half of last year, largely due to the effect on Lornex of the lower prices for copper and molybdenum. Profit from uranium was higher than in the corresponding period last year reflecting a more favourable mix of sales contracts and increased production at the Elliot Lake mines. Profit from steel was lower as a result of reduced profit margins.

RTZ Borax's net profit, at £25.5 million for the period, showed a substantial improvement over the £16.1 million level for the first six months of 1980. This is largely accounted for by favourable movements in the exchange rate for sterling against the US dollar and high short term interest rates. Borax sales volume in the USA was just below 1980 levels but export volumes were ahead of last year, which was very satisfactory in a period of world-wide recession. European borax operations have improved their performance compared with last year, while the RTZ Chemicals group in the UK had has a difficult time in the depressed trading climate.

The contribution to net profit from Rossing Uranium was £10.4 million after providing for deferred tax, compared with £10.0 million in the corresponding period of 1980 when no tax provision was made. Sales revenue was higher than in 1980 mainly as a consequence of the favourable effect of the higher exchange rate for the US dollar in which most selling prices are expressed.

Palabora's net profit was substantially below that in the same period last year due largely to the reduction in copper price.

The contribution to net profit from RTZ Industries was £8.5 million, largely unchanged from the first six months of 1980. The United Kingdom operations maintained their profits remarkably well in spite of difficult trading conditions, and in North *America some improvement* in profit was achieved by Indal.

RTZ Oil and Gas' profit from the Argyll Field was below that for the first half of 1980, largely as a result of a reduction in oil production. RTZ's 49 per cent share of Rio Tinto Minera showed a loss in 1981 compared with a significant profit in the corresponding period last year when copper and gold prices were much higher. The lower gold price also was responsible for a reduction in profit from Rio Tinto Mining (Zimbabwe) compared with the first six months of 1980.

(£ millions)	First half 1981	First half 1980	Year 1980
Group sales revenue	1,536.7	1,453.0	2,795.8
Group operating profit	169.0	283.3	477.3
Share of profits of associated companies	14.8	22.1	49.3
Dividends and interest receivable	39.0	30.6	55.8
	222.8	336.0	582.4
Deduct: Interest payable	49.3	40.8	75.4
Group profit before tax	173.5	295.2	507.0
Deduct: Tax	89.9	129.2	216.7
Group profit after tax	83.6	166.0	290.3
Deduct: Attributable to outside shareholders	36.6	76.3	134.9
Net profit attributable to RTZ shareholders	£47.0m	£89.7m	£155.4m
Earnings per ordinary share	18.58p	35.57p	61.56p
Dividends: Preference	0.2	0.2	0.4
Ordinary—Interim	13.5	13.4	13.4
—Final	—	—	25.7
	£13.7m	£13.6m	£39.5m
Declared per 25p ordinary share	5.50p	5.50p	16.00p
Gross equivalent to UK shareholders	7.86p	7.86p	22.85p

Notes:

(1) The results of overseas operations have been translated from foreign currencies into sterling at the quoted rates of exchange ruling at the accounting dates.

(2) The amount shown for the 1981 interim ordinary dividend is calculated in relation to the ordinary shares currently in issue and no amount is included for any issues of accumulating ordinary shares allotted to holders of accumulating ordinary shares in lieu of dividend. If all accumulating ordinary shares are converted to ordinary shares, the cost of the 1981 interim dividend will be £13.9 million.

(3) The results of certain overseas subsidiaries have been adjusted for differences in accounting practices. The effect has been to reduce RTZ's net attributable profit for the first half of 1981 by £2.1 million compared with the amount derived from *the published results of the subsidiaries concerned. The corresponding adjustments for the first half of 1980 and the year* 1980 were increases of £2.0 million and £1.8 million respectively.

Outlook

Although metal prices in sterling terms are now generally higher than in the first half of the year, the rise largely reflects the weakening of sterling, and a sustained improvement in metal markets awaits general economic recovery. While prospects for borax and some of the RTZ Group's other products remain encouraging, profit for the year as a whole will depend to a significant extent on metal prices and exchange rates during the rest of the year.

Dividends

The directors have declared a dividend of 1.6625p per share on the 3.325 per cent 'A' cumulative preference shares of the company and a dividend of 1.75p per share on the 3.5 per cent 'B' cumulative preference shares of the company both in respect of the half year to 31 December 1981. These dividends will be paid on 4 January 1982 to holders on the London and Melbourne registers as at close of business on 25 November 1981 and to holders of share warrants to bearer representing 3.5 per cent 'B' cumulative preference shares on or after 4 January 1982 after presentation of coupon number 39.

The directors have declared an interim dividend of 5.50p per share in respect of the year to 31 December 1981 on the ordinary share capital of the company, same as for 1980.

The interim dividend on the ordinary *shares will be paid on 4 January 1982 to* holders on the London and Melbourne registers as at close of business on 25 November 1981 and to holders of share warrants to bearer on or after 4 January 1982 after presentation of coupon number 48. In the case of holders of ordinary shares and 'A' cumulative preference shares on the Melbourne register, payment of the foregoing dividends will be made in Australian currency at the rate of exchange ruling on 30 November 1981.

The dividends on the ordinary and preference shares will be paid without deduction of income tax and will carry a tax credit. This credit will be available principally to the United Kingdom resident shareholders and also to certain shareholders resident outside the United Kingdom. The interim ordinary dividend for 1981 after adding the tax credit will be equivalent to a gross dividend of 7.86p per *share (same as for the interim for 1980).*

Accumulating ordinary shares

Holders of accumulating ordinary shares will receive on 4 January 1982 a further allotment of accumulating ordinary shares, credited as fully paid, on the basis of 0.010343 of a new share for every share held at the close of business on 25 November 1981. Fractions of less than one half of a share will be eliminated and fractions of one half of a share or more will be rounded up to one whole share. *Holders of accumulating* ordinary shares will also receive a dividend of 0.1p per share.

By order of the Board D. A. Streatfeild, *Secretary*

Printed copies of the report are available on request from the company's transfer office, 1 Redcliff Street, Bristol BS1 6NT

6 St. James's Square,
London SW1Y 4LD.
16 September 1981.

RTZ

Brooke Bond expands timber interests

Brooke Bond Liebig, the international tea and food producer, is expanding its recently acquired timber interests with a £2.35m acquisition in Scotland.

The group is acquiring Muirhead and Sons, a family-owned business based in Grangemouth, and Scotland's largest softwood importer.

The terms are £21.76m cash for every 10 Muirhead shares, or the *equivalent value* in BBL shares or a combination of cash and shares.

This follows the group's move into the timber business with the *successful* acquisition of Mallinson-Denny at the beginning of this year. BBL acquired 20 per cent of Mallinson in a "dawn raid" in July 1980.

Muirhead specialises in the import, manufacture, preservation and distribution of timber products. Its principal assets are a *sawmill and warehousing* facilities at Grangemouth and timber stocks.

BBL says that the integration of the Muirhead timber importing and manufacturing activities with the *existing* Mallinson-Denny (Scotland) operations will provide the Mallinson-Denny division of BBL with the opportunity to accelerate the expansion of its share of the market in Scotland.

Mr Harry Somerville, the BBL finance director, said yesterday that Mallinson "had been angling for this acquisition for quite some time." Describing it as a "good fit" he said that as a softwood importer it was "very complementary" *to* Mallinson's business which was mainly in hardwood.

Mr Somerville said that Muirhead had substantial manufacturing facilities although it did not have any of its own *distribution* outlets. Mallinson has an existing distribution network which it is planned to extend.

He said that the combination of the businesses would make it the second or third largest timber company in Scotland.

In the years to April 1981 Muirhead was "just in profit" on a turnover amounting to around £7m. Prior to that year the company had been making "several *hundreds of thousands of* pounds" in profits, Mr Somerville said.

Of the future potential for the business he described it as a case where "we feel that one and one will make more than two." *But, he added, a lot depends on* an upturn in general economic conditions.

Asked about other areas of expansion in timber Mr Somerville said that these had been identified but *it* was too soon to say where they were.

TI £2.7m sale to Macpherson

Tube Investments, a leading UK engineering company, continues to dispose of non-mainstream activities by selling TI Drynamels to the Donald Macpherson Group for £2.7m cash.

Macpherson manufactures paints and other surface coatings, and is the sole supplier of Cover Plus paints to Woolworth.

Drynamels supplies surface coatings, both powders and more conventional solvent-based *materials*, to manufacturing industry for use in product finishing.

Macpherson says that on the powder side Drynamels is one of the UK's largest manufacturers. Its capability will complement Macpherson's interest in the growing market for powder coatings. The acquisition of Drynamels, the company says, will strengthen Macpherson's position as the second largest UK supplier of industrial coatings.

Mr Rex Chester, the Macpherson chairman, says that the acquisition is in line with one of the main strands of the group's long term strategy of developing its industrial coatings business.

He says that powder coatings, which are used in the manufacture of domestic appliances, automotive components and tubular steel furniture, have shown consistent growth over the past few years.

Drynamels, which had been part of the TI Machines division since January 1 1976, showed sales rising from £3.66m to £4.24m over the three years up to the end of 1980, while profits declined from *£404,000* to £25,000.

Sales amounted to £2.6m and operating profits to £154,000 for *the first* eight months of 1981.

Net tangible assets of Drynamels at December 31 1980 were *£2.3m*, which includes a three-acre site at Hall Green, Birmingham, comprising a manufacturing plant, laboratories and offices.

ARAB ASIAN GROUP ISSUES DENIAL

The Arab Asian Group, which recently acquired United City Merchants, issued a firm denial yesterday to suggestions and speculation that it had been involved in *discussions with* Tozer Kemsley and Millbourn on the possibility of its making a bid for Tozer. It stressed that "no such intention exists."

Arab Asian added that there "have been no discussions on the question of a merger or *any* other link between United City Merchants or TKM or any of their respective subsidiaries."

HANSON/BEREC

Hanson Trust has convened an EGM on *October* 1 to approve the offer for Berec and the issue of sufficient shares to implement the offer.

Also to increase the authorised capital from £40.15m to £42.65m by creation of 10m ordinary 25p *shares, and updating the directors'* authority to issue a limited amount of shares.

EVODE BUYS KELSEAL

Evode, a subsidiary of Evode Holdings, will buy the goodwill and certain of the assets in Kelseal, a subsidiary of Kelsey Industries, for £535,000, with effect from November 1.

Of the consideration £400,000 is for plant and machinery and the balance of £135,000 is for goodwill. The performance of the business up to April 1982 could result in a further maximum goodwill payment of £230,000.

STENHOUSE HLDGS.

Stenhouse Holdings, the insurance broking group, has formed a new company, Stenhouse Syndicates to control its Lloyd's underwriting agency interests. Stenhouse Syndicates is owned 60 per cent by Stenhouse Holdings and 40 per cent by Reed Stenhouse and Partners.

This follows the merger of Stenhouse Reed Shaw (Underwriting Agencies) and the underwriting agency management companies recently acquired from the Christopher Moran Group.

The board of Stenhouse Syndicates comprises Mr Raymond Strange, chairman, Mr Henry Armstrong, managing director, *Mr Richard Carter, Mr John* Devine, Mr Brian Smith and Mr Paul Stenhouse.

LAW LAND

Churchbury Estates now holds or has acceptances in respect of 84.45 per cent of the ordinary capital of Law Land as increased by the exercise of certain Law Land options, and in respect of 91.79 per cent of the preference capital.

The offers remain open for acceptance until further notice.

In yesterday's report it was incorrectly stated that the offer had closed.

Rbt. Moss urges members to reject bid by Orchard

SHAREHOLDERS IN Robert Moss are being advised not to accept the offer of 32p per share from Mr Murray McLean's Orchard Holdings.

Chairman Mr J. A. Leavey says in a letter to members that the directors, together with advisers Samuel Montagu, consider the offer inadequate. He says that this opinion is reinforced by the company's results so far, a forecast for the year, and the net asset value of the shares.

Mr Leavey reports that for the five months ended August 31, 1981, pre-tax profits amounted to £248,000, on turnover of £1.41m. And on the basis of these results and upon current levels of activity the board now expects pre-tax profits for the full year to reach a record £600,000, compared with £271,000 in the previous year. Tax is expected to be £200,000 (£72,000) giving forecast earnings per share of around 4p (1.99p). Net assets amount to about £3.2m—32p per share.

Mr McLean has already purchased 28 per cent of the ordinary shares and by proxies has achieved voting control. However, Mr. Leavey points out that upon the expiry of the various proxy arrangements in four months' time Mr McLean will control no more than 28 per cent of the capital.

Mr Leavey says that "having had several meetings with Mr McLean and *in the light* of his assurances in the offer document, your directors believe that by his joining the board and becoming chairman . . . his active involvement can be regarded favourably by shareholders and employees." Mr McLean proposes to expand Moss which he will endeavour to maintain as a listed company.

JANTAR

Mr Edward Nassar, chairman of Jantar, the metals group, has sold 110,000 shares. In July Mr Nassar underwrote a £245,000 12½p *a share rights issue for the* company in which he then held 30.02 per cent.

The Takeover Panel gave its approval for Mr Nassar to take his stake up to just over 50 per cent as a result of the exercise. The last date for accepting the rights issue is tomorrow.

The market price of the shares is 24p which contrasts with the rights issue price of 12½p.

GRANGE TRUST

The Courtaulds pension fund has raised its stake in Grange Trust to 29.9 per cent. Grange is a medium-sized investment trust with assets worth £16.2m at the end of last year. Its investment management has just been altered on the retirement of its in-house manager.

Management will now be carried out by Touche Remnant. Declared institutional holdings in Grange now amount to just under 50 per cent with the Prudential owning 10.5 per cent and London and Manchester Assurance 6.7 per cent.

SHARE STAKES

Derritron—Mr G. Kelly, director, sold 375,000 ordinary shares on September 7 at 15p per share.

Guinness Peat-Aval Holdings—In accordance with an agreement dated September 1 1981 97,087 ordinary shares have been issued as further consideration for the acquisition of 75 per cent of Guinness Peat Aval Holdings.

New Court Oil Venturers—N. M. Rothschild and Sons now hold 7,500 ordinary shares (5.96 per cent).

Bertam Consolidated Rubber—Johore State Economic Development Corporation has increased its holding from 3.08m shares (15.4 per cent) to 3.26m shares (16.30 per cent).

Drayton Premier Investment Trust—The Coal Board Pension Fund on September 10 bought 280,000 shares bringing its total holding to 8.6m shares (28.23 per cent).

W. L. Pawson and Son—S. J. Woolliff, director, has sold 200,000 ordinary shares. After *this disposal he holds 1,182,056* (9.85 per cent).

Fundinvest—Edinburgh Invest-ment Trust are the beneficial owners of 1.08m 25p capital shares (17 per cent of that class).

Kenning Motor—Mr D. B. Kenning and Mr H. Oxspring, directors, on September 8 became interested in 383,936 ordinary shares as executors of an estate.

United British Securities Trust—Board announces it has recently purchased a further 100,000 ordinary shares and now holds 2,325,000 shares.

Burnett and Hallamshire Holdings—D. P. McErlain acquired 616,000 ordinary shares with interest in further 6,222 shares (5.49 per cent).

Alexanders Holdings—Henry Clayton, director, purchased 20,000 ordinary shares.

Ambrose Investment Trust—Commercial Union Assurance acquired 50,000 ordinary shares, thereby increasing its holding to 535,000 shares (7.43 per cent).

Ingall Industries—The Throgmorton Trust has acquired a *further 192,500 ordinary shares* which brings its total holding to 592,000 shares (9.18 per cent).

BANK RETURN

	Wednesday Sept. 16 1981	Increase (+) or Decrease (—) for week
BANKING DEPARTMENT		
Liabilities	£	£
Capital	14,553,000	—
Public Deposits	39,631,932	+ 4,960,069
Bankers Deposits	658,334,023	+ 89,714,956
Reserve & other Accounts	1,554,370,119	— 60,861,107
	2,266,889,074	+ 33,815,918
Assets		
Government Securities	539,011,218	+ 230,959
Advances & other Accounts	1,082,702,005	+ 37,410,090
Premises Equipment & other Secs.	620,049,083	— 3,825,812
Notes	24,859,513	+ 9,866
Coin	267,355	— 10,985
	2,266,889,074	+ 33,815,918
ISSUE DEPARTMENT		
Liabilities	£	£
Notes issued	10,675,000,000	— 50,000,000
In Circulation	10,650,140,487	— 50,099,666
In Banking Department	24,859,513	+ 9,666
Assets		
Government Debt	11,015,100	—
Other Government Securities	8,728,751,167	— 27,379,291
Other Securities	1,935,233,733	— 22,620,709
	10,675,000,000	— 50,000,000

Northgate buys Canadian operations of Patino

BY GEORGE MILLING-STANLEY

CANADA'S Northgate Exploration yesterday completed the purchase for C$174m (£81m) of all the Canadian mining assets and certain other interests of the Netherlands-based Patino.

The other interests include Patino's 34 per cent stake in Edper Equities, which holds 48 per cent of Brascan, a Toronto-based holding company controlled by the Bronfman family.

Brascan recently agreed to acquire 37 per cent of Noranda, a leading Canadian natural resources company, for C$1bn.

The mining assets acquired by Northgate comprise three base and precious metal mines in the Chibougamau area of Quebec, employing a *total* of about 700 people.

Last year the mines produced 32.4m lb of copper, 16.6m lb of zinc, 62,500 oz of gold and 382,000 oz of silver, after treating 793,000 tons of ore.

Between them, the mines have ore reserves totalling about 7m tons, with significant potential at *deeper levels* where access has already been established.

Northgate's acquisition has been financed by bank lines of credit totalling C$150m with a leading Canadian chartered bank, and through the use of C$24m of the company's *existing* cash resources.

In addition, the bank has agreed to put up C$15m in additional working capital for the mines.

The purchase agreement includes options open until October 31 this year for Northgate to sell the 34 per cent stake in Edper Equities back to Patino for C$84m. Northgate would then pay C$29m for a 35 per cent interest in the Patino parent company, Patino Mining NV of the Netherlands Antilles.

The mining operations acquired by Northgate produced net income last year of C$19.6m, Brascan earned C$86m in 1980.

Northgate shares gave up 15p to 355p in London yesterday, while Patino gave up £1 to £38½.

Gold Fields' chairman gloomy

THE LATEST annual reports from South African gold mines in the **Consolidated Gold Fields** group provide confirmation that the group is unlikely to be able to look to its *gold interests for* the sort of support they have provided for results this week.

Venterspost is looking forward to a further improvement in the milling rate in the year to June 30 1982 but expects costs to be *higher following* the recent wage increases.

If the current gold price level prevails, the mine's yield will go up, but not enough to prevent a fall in profits. Mr P. R. Janisch, chairman, says that the possibility of drawing on the State Aid scheme cannot be excluded, and thus the dividend is likely to be lower than in the previous two years.

Mr Janisch is also chairman of the group's **Libanon** operation, and here he says that both profit and dividends are likely to be lower than in the past 12 months.

Mr Colin Fenton, chairman of **Doornfontein**, expects capital expenditure to be around R39m (£23m), against R33m last year.

While this will have the effect of reducing tax and lease charges, it will also act as a constraint on dividends unless there is a rise in the gold price.

At **Kloof**, of which he is also chairman, Mr Fenton expects higher capital expenditure, and he says that if the gold price does not recover from its present level a reduction in the dividend would be inevitable.

Mr Robin Plumbridge, chairman of the new **Driefontein** "supermine," provides the one note of optimism for Cons. Gold. He says that even if the gold price should show a further temporary decline in its present cyclic phase, shareholders can rest assured that their company is not only the biggest gold mine in the world, but also the lowest cost-producer.

Cons. Gold also said that it was pressing ahead with its attempts to acquire a big stake in **Newmont Mining**. The group hopes to buy up to 49 per cent of the U.S. company, but is currently limited to under 10 per cent by U.S. anti-trust legislation.

In furtherance of its aim, Cons. Gold has provided a considerable body of material about its operations and structure to the Federal Trade Commission, and still hopes for a favourable ruling from that body.

EAST RAND CONS PROFITS FALL

Lower dividends from investments cut net profits of the London-registered investment company **East Rand Consolidated** for the half year to June 30 to £216,510 from £296,500 last time.

The company said that, while full-year results will be lower than in the "exceptional" 1980, they will compare favourably with recent years.

The wholly-owned Luxembourg subsidiary **Ercon**olux is reported *to be steadily* building up the international portfolio.

Australia's **MIM Holdings** has raised its stake in Asarco of the U.S. to 15.1 per cent. The two companies announced in June that they were *to change* the structure of their crossholdings in each other, with Asarco cutting its stake in MIM to 44 per cent from 48.9 per cent while MIM raised its holding in the U.S. concern to 16 per cent from 2 per cent.

Difficult time for Distillers

MR JOHN CATER, chairman of the Distillers Company, warned shareholders at yesterday's annual meeting that the current year "had been, and is *likely* to remain, a difficult one for the company."

The chairman said: "We see no likelihood of a sales volume increase, *but look to some improvement* in historic cost terms in the results for the present year."

Mr Cater said that inflated stock levels in most export markets at the beginning of April have continued to depress volumes of shipments and recovery in orders received is slow.

"Depletions, reflecting sales levels to consumers, appear in general to be slightly down, and *there are no indications of a* notable appreciation in rates of demand. The company's experience reinforces the view that *world economies remain greatly* depressed," said the chairman.

Referring to the home market depressed. The trade was heavily depressed. The rtdae was heavily stocked at the end of March, because of substantial clearances ahead of price increases and of the March Budget.

Mr Cater said that "in spite of this, the group's overall sales in the five months to the end of August have shown a slight increase" on the same period a year ago. In the absence of Government statistics the company does not know how this relates to the rest of the industry.

The chairman said that the problems facing scotch whisky applied equally to the company's gin interests. Although he expected the non-potable interests to match, or improve, on last year's results, the associate United Glass will make another substantial loss in its year ending in December.

Tavener Rutledge cuts loss

IMPROVED pre-tax results come from Tavener Rutledge, Liverpool based confectionery manufacturers, with losses reduced from £51,290 to £19,461 to June 30 1981. Although steady improvement continues, no interim dividend will be paid—the last payment was 2.904p final in 1977. The pre-tax loss in the last full *year was £87,137.*

Recovery is proving more difficult than expected because of the significant, though decreasing, involvement in exporting. *Turnover edged ahead from* £3.35m to £3.43m. The small increase concealed a marked rise in UK sales of 20 per cent in a depressed market.

There were no severance costs this year. With a reduction in borrowing and interest rates, the interest charge is significantly down at £83,350 (£111,414).

The strength of sterling, particularly in Europe, once again had an adverse effect on both Europe sales volume and profits.

Steetley falls 16% but maintains interim at 4p

A FURTHER decline in taxable profits is reported by the Steetley Company, the holding concern with interests in minerals, construction materials, chemicals, refractories, plant engineering and distribution.

For the first half of 1981 pre-tax profits fell by 16 per cent, *from £8.79m to £7.38m,* although sales for the period were higher at £178.6m, compared with £173.91m. Taxable profits for 1980 as a whole were down from *£23.5m to £18.2m.*

The net interim dividend, however, is being maintained at 4p per 25p share—last year's total was 10.5p.

The trading surplus for the half year was down by only 5 per cent at £17.14m (£18.14m) but depreciation charges increased from £5.74m to £6.15m. Net interest payable was much the same at £3.61m (£3.6m).

A geographical analysis of operating profit (£10.99m, against £12.39m) shows UK £6.14m (£8.4m), North America £2.66m (£2.03m), Australia £1.4m (£1.26m), Western Europe £616,000 (£646,000) and South Africa/Middle East £181,000 (£55,000).

The directors say UK profits reflect the seriously depressed level of trading. Improved profits from minerals, which in 1980 suffered *from* the steel strike, were more than offset by reduced profits from construction materials and chemicals.

There was an improvement from refractory bricks but with a low world demand for magnesia the Hartlepool plant was much less profitable than last year, they add.

Overseas results were 22 per cent up on last year with further improvements in profits from the *French and Middle East* construction materials operations, North America and Australia.

The directors point out that since the group is negotiating with its partners to withdraw from the Sardinian sea-water magnesia venture, against which the group provided £1.9m last year, its results are not included in the current half year.

Tax for the half year took £2.81m (£1.45m restated) and was split as to UK £1.53m (£388,000) and overseas £1.28m (£1.07m). After minorities of £180,000 (£249,000) the attributable balance was down from £7.09m to £4.39m.

Stated earnings per share came through well down at 7.8p, compared with 12.78p.

The directors say all *overseas* figures are on the basis of the exchange rate adopted in the 1980 accounts. The effect of converting the overseas figures for the first half of 1981 at exchange rates ruling at June 30 would be to increase the pre-tax surplus by approximately £586,000, they say.

Capital expenditure in the first half amounted to £7.1m of which £4.8m arose in the UK.

The group's offer for the capital of G. H. Downing and Co. was declared unconditional in July and it has now received significantly more than 90 per cent acceptances. The profits of Downing will accrue to Steetley *for the second half of the year.*

● comment

Steetley's main customer industries in the UK — construction, steel, engineering and chemicals —are still in the doldrums and the hoped-for second half recovery now looks most unlikely. Overseas, the Canadian mineral and distribution activities have done very well but the deepening recession in the U.S. should soon affect them. Nevertheless, some improvement for Steetley in the second half is possible. The French construction materials operation is well placed to benefit from the new socialist Government's reflation policies while in the UK the consolidation of the recent G. H. Downing acquisition will help. Perhaps *most* important, however, is the dramatic swing in dollar-sterling exchange rates. This would have added more than £½m to profits in the first half and may have a more substantial effect in the second. At 181p, down 7p yesterday, the shares yield 8¼ per cent.

Improved trading at Luis Gordon

IN SPITE of the continuing difficulties caused by the economic recession and the high level of interest rates, trading profit at Luis Gordon Group *has* more than doubled to £158,000, against £72,000, in the six months to June 30 1981.

And after interest charges of £352,000 *compared with £455,000,* the expected seasonal loss at the attributable level was virtually halved to £194,000 against £383,000.

Turnover of this importer and distributor of sherries, wines and spirits rose from £4.91m to £6.16m.

The *board* says this improvement *shows* the initial benefit from the changes in its long-term strategy recorded in the last annual report. In particular, the increases made in the selling prices for sherry and the reductions in stock levels have been particularly helpful.

In addition, the launch of Guitar Pale Cream Sherry has *been successfully completed* and sales of the re-packaged Pedro Dry Sherry are over 50 per cent up on 1980, say the directors.

Recently, Luis *Gordon* and Sons has been appointed as agent for Offley Forrester Port and the board looks forward to a growing and prosperous *relationship with this well-*established brand owner.

The directors say, as always, it is difficult at this point to *forecast* results for the full year. They expect customer destocking to continue, but not at the large scale experienced during 1980.

The detrimental effect of the increase in duty on sherry made during the last Budget has yet to be felt fully. Overall, it is believed that the improvement shown in the first six months *should be reflected in the* results for the full year.

Duty in the first half accounts *for* £2.2m (£1.76m), leaving net turnover £3.96m against £3.14m.

MONTAGU BOSTON

Montagu Boston Investment Trust reported reduced gross income, from £187,200 to £184,800, for the half year to July 31, 1981.

Net revenue was £72,000 *(£76,000)* after increased tax of £78,000 (£43,000). Net post-tax for the last full year was revenue for the last full year was higher at 80.75 (62.75p) (62¾p as at January 31, 1981).

Mining Supplies qualified

Mr Arthur Snipe, the chairman of Mining Supplies, was confident yesterday that the banks would continue to support the group's loss-making recent acquisition, Laurence Scott, *but* the auditors are unable to confirm that its consolidation on a going basis is appropriate before the financing position is reviewed *later this month and have* accordingly qualified Mining Supplies' accounts for the 53 weeks to May 2 1981.

The accounts have been qualified *on a second count in that* the auditors were unable to gain access to records and documentary evidence at Scott's major Manchester plant, Laurence Scott *Electromotors, whose closure* with the loss of 650 jobs was announced last April and treated by MS as a pre-acquisition expense.

Access to certain accounting records, from which estimates *only have been incorporated in* the accounts, has been denied by continued picketing by former employees of the Electromotors subsidiary.

In view of Scott's escalating losses, MS has deliberately isolated the finances of its troublesome subsidiary and persistently refused to allow its *problems, partly unforeseen at* the time of the £6m October 1980 purchase, to impinge on the performance of its main stream activities in large scale long *wall mining equipment contracts.*

Scott lost £1.7m in the five months ending in August last year but, despite earlier hopes that economies introduced by MS would staunch the outflow, *the electric motors subsidiary* went on to lose £1.9m in the period between October and last May. Its £10m overdraft has been held below the current £12m *facility* agreed with its bankers, an agreement which is to be redrawn some time before the end of this month.

Laurence Scott has meanwhile *announced the sale of Agovox,* the UK distributor of Compur telephone answering machines, to Escari for £250,000 in cash plus the release of the vendor's *guarantee of Agovox's overdrafts* of about £170,000.

Burroughs goes down halfway

Turnover edged ahead from £70.57m to £71.62m for Burroughs Machines, but pre-tax profits were down from £12.09m to £7.25m for the half year to May 5, 1981.

The pre-tax figure was after foreign exchange losses of £2.77m against gains last year of £1.43m.

Tax was lower at £983,000 (£3.26m). The company is the UK subsidiary of Burroughs Corporation.

Armitage Bros margins hit

IN THE 28 weeks ended July 11 1981, *margins* at Armitage Brothers, maker of pet foods, have continued under strong pressure, and a small decline in trading profit was experienced.

The directors are more optimistic than a year ago, but accept that trading conditions are certain to remain difficult throughout 1982.

Total group sales for the 28 weeks were 5 per cent higher in value than in the corresponding period last year, with exports slightly lower. Profit for the period showed a small improvement from £116,000 to £127,000, before tax but after interest of £33,000 (£78,000).

On July 16 Armitage acquired the capital of Woodside Animal Foods for £270,000 cash. This small company packs cat litter from premises in SE London, selling to both the pet and grocery trades. It should be capable of considerable expansion which will strengthen the market position in an important sector of the business, the directors state.

Williams & James

MID-WAY pre-tax profits from Williams and James (Engineers) moved ahead slightly from £27,567 to £29,717, for the period ended June 30 1981 after £67,000 exceptional charges this time.

In the last full year there was a loss of £73,000 and a slow but steady return to profitability is forecast. The trading level has stabilised and margins are being maintained on reduced sales of £3.35m (£3.72m). Technical and marketing resources are being strengthened to take full advantage of an eventual upturn in world trade.

The net interim dividend will be 1.155p, the same as last time. Attributable profits were up to £10,717 (£8,567) and basic earnings per 25p ordinary share are given as 0.60p (0.48p).

MAGNET AND SOUTHERNS

Mr Sam Oxford, chairman of Magnet & Southerns said at the AGM that "it is likely that our profits will be somewhat lower this year, even though relatively we will do well."

Court approves Borelli Tea share scheme

By Raymond Hughes, Law Courts Correspondent

A scheme of arrangement by which Borelli Tea Holdings will become wholly-owned by Williamson Tea Holdings has been approved by the High Court.

Mr Justice Vinelott sanctioned the scheme to cancel the 68,209 £1 ordinary shares of Borelli's £278,026 issued *capital* not already held by *Williamson.*

The holders of the cancelled shares will receive 240p per share cash from Williamson.

The judge was told that the *scheme had been agreed by* shareholders at a meeting on August 24.

● An order for the *compulsory* winding-up of Dufon Ltd was *made. Mr Justice Vinelott* made the order on a petition by the Inland Revenue, creditor for £155,000, supported by the Customs and Excise with a debt of £211,000.

Dufon was not represented and the petition was unopposed.

MEXICO BULLDOG

Mexico's £50m bulldog bond was oversubscribed yesterday by 2 per cent. When the lists for the 27-year loan stock closed, applications had been received for £51m of the offer.

The basis for allotment was *full allocation up to, and including,* £1m, and thereafter 95 per cent applied for.

County Bank explained that the easing of the gilt market since the *launch of the bonds* on Monday and subsequent to pricing on Wednesday "may have inhibited demand."

AILSA TENDER

A total of almost 8.58m ordinary shares (including those arising from the scrip issue, have been tendered for sale by shareholders of Ailsa Investment Trust to S. G. Warburg under the reconstruction proposals. The *sale price, announced yesterday,* is 57.5085p per share.

The total number of additional ordinary shares subscribed for is 155,254. The price is 58.9555p per share. The issued share capital of Ailsa is being increased to 50,219,170 ordinary 25p shares so that the market value of the trust will be *around £28m.*

Mr David Montagu, who is to devote most of his time to managing the company, has been appointed chairman of Ailsa.

CURRENCIES, MONEY and GOLD

WORLD VALUE OF THE DOLLAR

Bank of America NT & SA, Economics Department, London

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, September 16, 1981. The Exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT and SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT and SA nor the Financial Times assume responsibility for errors.

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (O)	50.08	Guadaloupe	Franc	5.588	Pitcairn Is.	N.Z. Dollar	1.200
Albania	Lek	5.4752	Guam	U.S. $	1.00	Poland	Zloty (O)	31.00
Algeria	Dinar	4.1875	Guatemala	Quetzal	1.00	Portugal	Escudo	65.95
Andorra	Fr. Franc	5.588	Guinea Bissau	Peso	38.2453	Port Timor	Escudo	n.a.
	Sp. Peseta	94.82	Guinea Rep.	Syli	21.4567	Puerto Rico	U.S. $	1.00
Angola	Kwanza	27.627	Guyana	Dollar	2.968	Qatar	Riyal	3.639
Antigua	E. Caribbean $	2.7025	Haiti	Gourde	5.00	Reunion Ile de la	Fr. Franc	5.588
Argentina	Peso (c) (4)	6544.00	Honduras Rep.	Lempira	2.00	Romania	Leu (O)	4.47

n.a. Not available. * U.S. dollars per National Currency unit. (O) Official rate. (C) Commercial rate. (F) Financial rate.
(1) Sudan—Official rate for specified exports and imports. (2) Sudan—Official rate for all transactions except specified exports and imports.
(3) Egypt—Floating rate fixed daily by Central Bank of Egypt for importers, exporters, tourists.
(4) Argentina: June 22 Two Tier Policy Adopted. Commercial: Fixed by Central Bank of Imports and Exports.
(5) Argentina: Financial allowed a clean float. (6) Somali: Parallel exchange rates introduced July 1—for essential imports.
(7) Somali: Exports and Non-Essential Imports and Transfers.

Sterling weak

Sterling lost ground in currency markets yesterday, notably against the D-mark. The recent rise in domestic interest rates had a short lived effect on sterling's performance with continued switching into D-marks accelerated by fears of a D-mark revaluation.

The dollar finished above its worst level of the day but showed considerable losses from Wednesday's close, despite a steadier trend in U.S. interest rates.

The D-mark continued to improve within the European Monetary System yesterday, moving outside its upper alarm bell limit. Part of this rise was due to sterling's weaker trend, for although not a member of the EMS, adjustments are made to exclude excessive movements. The Belgian franc was again the weakest member but stayed comfortably within its divergence limit.

STERLING — trade weighted index (Bank of England) fell to 87.7 from 88.6, having stood at 88.0 at noon and 88.5 in the morning. Against the dollar sterling opened at $1.8525 and eased initially to $1.8470 as the dollar reacted to higher interest rates. However the dollar soon started to ease and sterling was up to $1.8540 by noon. It eased a little to $1.8450 in the early afternoon but fell away sharply not long before the close to $1.8300. It finished at $1.8330-1.8350, a fall of 1.5c. Against the D-mark it was very weak, closing at its lowest level since July 1980 at DM 4.1800 down from Wednesday's close in London of DM 4.26. It closed at SwFr 3.5950 from SwFr 3.6675 and FFr 10.0350 from FFr 10.2050.

DOLLAR — trade weighted index (Bank of England) fell from 108.4 to 107.2. The dollar slipped to DM 2.26 at one point against the D-mark but managed to recover to close at DM 2.2790 compared with DM 2.3030 on Wednesday. It closed at SwFr 1.9590 against the Swiss franc from SwFr 1.9830 and Y226.5 from Y226.75.

D-MARK—Strongest member of the European Monetary System and close to its upper divergence limit against its ECU central rate. The D-mark has benefited recently from a narrowing current account deficit, due mainly to an increasing trade surplus. Also money growth has remained well within projected limits and the Bundesbank's current tight monetary stance continues to keep inflation in check. The German currency has shown in line with other currencies, a gradual improvement against the dollar after touching a five-year low in August—The dollar fell sharply against the D-mark at yesterday's fixing in Frankfurt and the Bundesbank intervened in the dollar's favour for the first time in 12 months. The U.S. unit was fixed at DM 2.2730, its lowest level for four months and well down from Wednesday's figure of DM 2.3254. The Bundesbank bought a nominal $21½m.

A continuation of the recent move into D-marks hit the dollar harder than other currencies. Falling interest rates in the U.S. were seen as being partly behind the dollar's decline but the major cause was the D-marks strength. Germany's overall industrial and economic strength was underlined in the latest Bundesbank report which indicated that the German economy was likely to see a favourable upturn. At the same time it intimated that weakness of other EMS currencies had left the D-mark undervalued and gave rise to further speculation that the German currency may be revalued. This may have been partly behind the D-mark's improved performance. Rumours of a currency re-alignment were officially denied which only served to harden conviction that some reshuffle was in the pipeline. Elsewhere sterling was fixed at DM 4.2250 from DM 4.2940 on Wednesday while the Swiss franc eased to DM 1.1645 from DM 1.1657.

THE DOLLAR SPOT AND FORWARD

Sept 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8300-1.8600	1.8330-1.8350	0.27-0.37c dis	−2.09	1.13-1.23dis	−2.57
Ireland†	1.5850-1.6060	1.6040-1.6060	0.17-0.07c pm	0.90	0.30-0.20 pm	0.62
Canada	1.2005-1.2036	1.2005-1.2008	0.40-0.45c dis	−4.25	0.82-0.87dis	−2.81
Nethlnd.	2.5100-2.5360	2.5200-2.5250	0.98-0.88c pm	4.48	3.12-3.02 pm	4.87
Belgium	37.25-37.58	37.31-37.33	25-28c dis	−8.53	26-31 dis	−3.05
Denmark	7.1400-7.2220	7.1400-7.1500	2.45-2.70ore dis	−4.30	3.15-3.65dis	−1.90
W. Ger.	2.2600-2.3025	2.2785-2.2795	0.97-0.92pf pm	4.97	3.22-3.16 pm	5.60
Portugal	64.00-65.80	64.00-64.50	40-140c dis	−16.81	60-260 dis	−9.98
Spain	93.10-93.85	93.15-93.25	15c dis	−1.29	25-45 dis	−1.50
Italy	1,148-1,162½	1,149-1,151	6½-8 lire dis	−7.83	23-26 dis	−8.48
Norway	5.7925-5.8360	5.8100-5.8200	2¾-2¼ore pm	5.14	8.40-7.90 pm	5.59
France	5.4350-5.5200	5.4725-5.4775	4-4¾c dis	−9.60	9-10 dis	−6.96
Sweden	5.4800-5.5270	5.4800-5.4900	1.90-1.70ore pm	3.94	5.85-5.75 pm	4.28
Japan	225.00-227.00	226.45-226.55	1.85-1.70y pm	9.40	5.65-5.50 pm	9.84
Austria	15.88-16.15	15.88-15.89	8¾-6½gro pm	5.63	21½-17½ pm	4.88
Switz.	1.9390-1.9800	1.9585-1.9595	1.05-0.95c pm	6.12	3.40-3.30 pm	6.84

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

Sept 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.8300-1.8600	1.8330-1.8350	0.27-0.37c dis	−2.09	1.13-1.23dis	−2.57
Canada	2.2025-2.2300	2.2065-2.2075	0.85-0.95c dis	−4.89	2.65-2.85dis	−4.98
Nethlnd.	4.62-4.72	4.62½-4.63½	1⅛-⅞c pm	2.27	2¾-2⅜ pm	2.16
Belgium	68.30-69.80	68.35-68.45	40-50c dis	−7.89	97-107 dis	−5.96
Denmark	13.19-13.39	13.20-13.22	6½-7½ore dis	−6.36	14½-16¼ dis	−4.65
Ireland	1.1500-1.1690	1.1530-1.1550	0.23-0.33p dis	−2.91	0.88-1.00dis	−3.26

Belgian rate is for convertible francs. Financial franc 72.65-72.95. Six-month forward dollar 2.37-2.47c dis, 12-month 4.40-4.60c dis.

CURRENCY MOVEMENTS

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

OTHER CURRENCIES

Sept. 17	£	$		Note Rates
Hong Kong Dollar	11.02½-11.04½	5.9775-5.9875	Italy	2130-2210
Iran Rial	147.50*	79.70*	Japan	419-424
Kuwait Dinar (KD)	0.520-0.526	0.2823-0.2825	Netherlands	4.64¼-4.69¼
Luxembourg Fr.	68.35-68.45	37.31-37.33	Norway	10.75-10.85
Malaysia Dollar	4.3375-4.3475	2.3530-2.3560	Portugal	118½-133
New Zealand Dlr.	2.1970-2.2020	1.1945-1.1955	Spain	169¼-181
Saudi Arab. Riyal	6.30-6.36	3.4170-3.4200	Sweden	10.13-10.23
Singapore Dollar	3.95-3.96	2.1430-2.1460	Switzerland	3.60¾-3.64¾
Sth. African Rand	1.7165-1.7175	0.9360-0.9365	United States	1.84½-1.86½
U.A.E. Dirham	6.77-6.83	3.6690-3.6710	Yugoslavia	74½-78½

† Rate given for Argentina is the commercial rate. The financial rate for sterling is 13,735-13,755 and for the dollar 7,425-7,435. * Sterling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU September 17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7985	40.6281	−0.42	+0.92	±1.5361
Danish Krone	7.91917	7.81817	−1.28	+0.06	±1.6413
German D-Mark	2.54502	2.48137	−2.50	−1.16	±1.1386
French Franc	5.99525	5.95332	−0.70	+0.64	±1.3638
Dutch Guilder	2.81318	2.74731	−2.34	−1.00	±1.5159
Irish Punt	0.685145	0.680681	−0.65	+0.69	±1.6688
Italian Lira	1262.92	1257.89	−0.40	+0.01	±4.1116

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times. Sterling/ECU rate for September 17 — 0.590193.

EXCHANGE CROSS RATES

Sept. 17	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canadia Dollar	Belgian Franc
Pound Sterling	1.	1.834	4.180	415.5	10.035	3.595	4.630	2114.	2.207	68.40
U.S. Dollar	0.545	1.	2.279	226.6	5.472	1.960	2.525	1153.	1.203	37.30
Deutschemark	0.239	0.439	1.	99.40	2.401	0.860	1.108	505.7	0.528	16.36
Japanese Yen 1,000	2.407	4.414	10.06	1000.	24.15	8.652	11.14	5088.	5.310	164.6
French Franc 10	0.997	1.828	4.165	414.1	10.	3.582	4.614	2107.	2.199	68.16
Swiss Franc	0.278	0.510	1.163	115.6	2.791	1.	1.288	588.0	0.614	19.03
Dutch Guilder	0.216	0.396	0.903	89.74	2.167	0.776	1	456.6	0.477	14.77
Italian Lira 1,000	0.473	0.868	1.977	196.5	4.747	1.701	2.190	1000.	1.044	32.36
Canadian Dollar	0.453	0.831	1.894	188.3	4.548	1.629	2.098	958.1	1.	31.00
Belgian Franc 100	1.462	2.681	6.111	607.5	14.67	5.256	6.769	3091.	3.226	100

FT LONDON INTERBANK FIXING (11.00 a.m. SEPTEMBER 17)

3 months U.S. dollars		6 months U.S. dollars	
bid 17 5/8	offer 17 3/4	bid 17 15/16	offer 17 15/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Sept. 17	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	14-14¼	16⅛-16⅜	18½-18½	11⅛-12	9-10	11⅝-11⅞	17¼-18	18-21	14-17	6½-7
7 days' notice	14¼-14½	16-16¼	18½-19½	11¾-12	7½-8	11⅝-11¾	20-22	26-29½	17¾-21¼	6⅞-7⅛
Month	14½-14⅝	16⅝-16⅞	19⅝-20	12¼-12⅝	10⅞-10⅞	11¾-11¾	23-24	25½-27¼	20¼-21¼	7⅞-7⅞
Three months	14⅞-14⅞	17⅛-17⅝	20⅛-20½	12⅞-12⅞	10½-10⅝	11¾-11⅞	23-24	26¾-27¾	20¼-21	7⅞-7⅞
Six months	14⅞-15	17⅝-17⅞	19⅝-20	12⅝-12¾	10⅞-10⅞	11⅞-12	22½-23½	26½-27¼	19⅝-19⅞	7⅞-7⅞
One Year	14⅞-14⅞	17-17¼	19¼-19⅝	12½-12⅝	10-10⅛	11⅞-11⅞	21⅛-22⅛	25¾-26¾	18-18⅝	7½-7¾

SDR linked deposits: one-month 14$\frac{11}{16}$-15$\frac{1}{16}$ per cent; three-months 15¼-15⅝ per cent; six-months 15$\frac{7}{16}$-15$\frac{13}{16}$ per cent; one-year 15⅛-15½ per cent.
ECU linked deposits: one-month 15$\frac{11}{16}$-16$\frac{1}{16}$ per cent; three-months 16$\frac{3}{16}$-16$\frac{7}{16}$ per cent; six-months 16¼-16⅝ per cent; one-year 16$\frac{3}{16}$-16$\frac{7}{16}$ per cent.
Asian $ (closing rates in Singapore): one-month 16¾-16⅞ per cent; three-months 17⅜-17⅝ per cent; six-months 17$\frac{11}{16}$-17$\frac{15}{16}$ per cent; one-year 17¼-17⅜ per cent.
Long-term Eurodollar two years 17¼-17½ per cent; three years 17¼-17⅜ per cent; four years 17-17¼ per cent; five years 16⅞-17⅛ per cent; nominal closing rates.
The following nominal rates were quoted for London dollar certificates of deposit: one-month 16.50-16.60 per cent; three-months 17.15-17.25 per cent; six-months 17.20-17.30 per cent; one year 17.05-17.15 per cent.

MONEY MARKETS

Adequate supply

London clearing banks base lending rates 14 per cent (since September 16)

There was no intervention in the London money market yesterday by the Bank of England after an early forecast of a flat day. Factors affecting the market included bills maturing and take up of Treasury bills—£130m, Exchequer transactions +£75m and mentioned for the first time since August 20, bankers' balances above target +£100m.

Discount houses were paying up to 14 per cent for funds at one point but cheaper money became available down to 12 per cent. Overnight interbank money opened at 14-14¼ per cent and eased briefly to 13¾-14 per cent before coming back to 14-14¼ per cent for most of the day. Rates touched 14¾-15 per cent in the afternoon, dipped to 8-10 per cent and came back to finish at 11-13 per cent. Period rates showed little change.

In Rome the Bank of Italy drained a further L215bn (£100m) from the system through reverse repurchase agreements. Under this system, the Bank of Italy draws in money by selling bills to commercial banks on the understanding that at a fixed future date the Bank of Italy will buy back the bills, thus returning funds back to the market. Yesterday's transaction again involved two-year Treasury certificates at an average rate of 19.59 per cent, unwinding on October 30. This brings this week's operations to L1,082bn (£505m) and means that the authorities have drained nearly L4,000bn (£1.87bn) in this month alone. Much of this will be absorbed, on return to the market, by September's Treasury bill auction. Later in the day the Bank of Italy announced an offering of L1.500bn of two-year floating rate Treasury certificates for subscription on September 28, which will give a first-year yield of about 22 per cent.

September's Treasury bill auction will also comprise L16,000bn (£7.5bn) of bills. These compare with maturities of L11,750bn of bills and L1,250bn of 2-year certificates.

In Frankfurt call money was quoted at 11.95 per cent unchanged from Wednesday and compared with a special Lombard rate of 12 per cent.

Call money was also unchanged in Paris at 17¼ per cent while longer term rates were slightly firmer where changed.

GOLD

Stronger tendency

Gold rose $5¼ an ounce from Wednesday's close in the London bullion market yesterday to $455½-547. The metal opened at $454½-455½ and improved as interest in the metal increased, reflecting to some extent the dollar's weaker tendency in the foreign exchange market.

In Paris the 12½-kilo bar was fixed at FFr 93,500 per kilo ($533.12 per ounce) in the afternoon compared with FFr 92,950 ($524.45) in the morning and FFr 93,496 ($520.44) on Wednesday afternoon.

In Frankfurt the 12½-kilo bar was fixed at DM 33,675 per kilo ($457.99 per ounce) against DM 33,785 ($450.97) and closed at $458-460 from $448-450.

In Luxembourg the dollar per ounce equivalent of the 12½-kilo bar was $455.50 against $448.50.

In Zurich gold finished at $458-$461 against $449-452.

	Sept. 17		Sept. 16	
Gold Bullion (fine ounce)				
Close	$455½-457	(£247¼-248)	$450-452	(£244-245¼)
Opening	$454½-455½	(£245¾-246¼)	$452-453	(£246-246½)
Morning fixing	$456	(£246.553)	$449.75	(£243.240)
Afternoon fixing	$459	(£247.573)	$448	(£244.287)
Gold Coins				
Krugerrand	$468½-469½	(£254¼-254¾)	$464-465	(£251¼-251¾)
1/2 Krugerrand	$241¼-242¼	(£130¾-131½)	$239-240	(£129¼-129¾)
1/4 Krugerrand	$123-124	(£66¾-67¼)	$121½-122½	(£65¾-66¼)
1/10 Krugerrand	$50¼-51¼	(£27¼-27¾)	$49¾-50¾	(£27-27½)
Mapleleaf	$468½-469½	(£254¼-254¾)	$464-465	(£251¼-251¾)
New Sovereigns	$112¼-113	(£60¾-61¼)	$111¼-112	(£60¼-60¾)
King Sovereigns	$125½-127	(£68-69)	$124½-126	(£67½-68½)
Victoria Sovs.	$125½-127	(£68-69)	$124½-126	(£67½-68½)
French 20s	$132-136	(£71½-73¾)	$131-135	(£71-73)
50 pesos Mexico	$563-567	(£305½-307½)	$561-564	(£303¾-305¼)
100 Cor. Austria	$441-444	(£239¼-240¾)	$438-441	(£237¼-238¾)
$20 Eagles	$590-593	(£320-321¾)	$588-593	(£318¾-321)

MONEY RATES

NEW YORK	
Prime rate	20
Fed. funds	15⅞-16⅛
Treasury bills (13-week)	14.25
Treasury bills (26-week)	14.30
GERMANY	
Special Lombard	12.0
Overnight rate	11.95
One month	12.125
Three months	12.30
Six months	12.25
FRANCE	
Intervention rate	17.0
Overnight rate	17.5
One month	17.5625
Three months	17.375
Six months	16.375
JAPAN	
Discount rate	6.25
Call (unconditional)	7.25
Bill discount (three-month)	7.40625

LONDON MONEY RATES

Sept. 17 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	8-15	14-14½	—	—	13½-14¾	12-14	—	—	—
2 days notice	—	—	14¼-14½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14⅛-14⅛	14⅜-14½	—	14⅛	14⅝-14⅝	13⅝-13⅝	—	—	—
One month	14$\frac{7}{16}$-14$\frac{5}{16}$	14$\frac{7}{16}$-14⅝	14⅝	15¼-14¾	14⅝	14⅝-14¾	13¾	14⅛	14¼-14⅜	14¾
Two months	14$\frac{11}{16}$-14$\frac{9}{16}$	14$\frac{9}{16}$-14¾	—	15⅛-14⅝	14¾	14⅞	13¾	14⅛	14⅛-14¼	14½
Three months	14 15$\frac{1}{16}$	14$\frac{15}{16}$-14⅞	14¾	15⅛-14⅝	14⅞	15	13¾	14⅛	14⅛-14¼	14⅝
Six months	14-13$\frac{15}{16}$	14¾-14⅞	14⅝	14½-14	14⅞	—	—	—	13⅞	14⅝
Nine months	14-13$\frac{15}{16}$	14⅝-14$\frac{11}{16}$	—	15-14½	14⅞	—	—	—	—	—
One year	14-13$\frac{15}{16}$	14⅝-14$\frac{11}{16}$	14¾	15-14½	14⅞	—	—	—	—	—
Two years	—	—	14¾	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 14⅞ per cent; four years 15 per cent; five years 15⅛ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills 14⅛ per cent; four-month trade bills 14½ per cent.

Approximate selling rate for one-month Treasury bills 13⅞-14 per cent; two-months 13⅞-14 per cent; three-months 13⅞-14 per cent. Approximate selling rate for one-month bank bills 14$\frac{1}{32}$ per cent; two-months 14$\frac{1}{32}$-14⅛ per cent and three-months 14$\frac{1}{32}$-14⅛ per cent; one-month trade bills 14½ per cent; two months 14$\frac{7}{16}$ per cent and three-months 14$\frac{7}{16}$ per cent.

Finance Houses Base Rates (published by the Finance Houses Association): 14½ per cent from September 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 11-11½ per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills: Average tender rate of discount 13.21-10 per cent.

INTERNATIONAL COMPANIES and FINANCE

Wall Street depressed by forecasts of lower profits

BY DAVID LASCELLES IN NEW YORK

MOST OF the blame for the slump in the U.S. stock market to its lowest level in 16 months seems to have been laid at the feet of President Ronald Reagan and his failure to come up with a more balanced budget.

But Wall Street's bearish mood also owes much to the steadily worsening prospects for U.S. corporate profits this year as the economy struggles along and high interest rates eat into earnings. Analysts seem to agree that it will take a lot more than this week's ½ percentage point drop in the prime rate to 20 per cent to make much difference. Indeed, some fear there will be unpleasant surprises in the months ahead that could easily trigger another bout of selling on stock exchanges.

IBES, an investment service which monitors analysts' profit forecasts for 500 leading companies, recently scaled down estimated growth for 1981 from 15 per cent to 13 per cent. But this consensus has often proved optimistic. One of the more pessimistic analysts, Mr James Freeman, who directs research at First Boston, thinks profits will be unchanged or down by 4 per cent at most.

Profits were good in the first quarter after the economy pulled out of the slump at the end of last year. But the second quarter showed signs of weakness, which will almost certainly be confirmed by the third quarter ending this month. The chances of a bad fourth quarter are growing.

The biggest question surrounds the likely rate of economic growth in the months ahead. After advancing strongly in the second quarter, GNP will probably be flat in the third. Although signs of outright decline in GNP have been lacking, business is decidedly nervous about committing itself to major outlays and investments.

This week's report that industrial production fell 0.4 per cent in August and the weakness in retail sales in July and August have contributed to business doubts.

A sputtering economy would make life particularly difficult for sectors which rely heavily on industrial investment for business: capital goods, machine tools and even high technology office equipment and computer makers. Orders for machine tools are down by as much as 50 per cent on last year's levels. But generally the drop in demand should lead to widespread revenue shortfalls which could be particularly painful at a time when declining inflation

Most blame for the U.S. stock market slump falls on the Reagan Administration's budget. But a deteriorating outlook for corporate profits is increasingly a factor as problems pile up. These include a stagnant economy, high interest rates, lower capital spending and productivity and rising inventories

is making it difficult for companies to pass on their costs to the market place.

Wavering demand has also caused inventories to creep up. The rise is not that sharp—about 1 per cent a month since mid-summer—but its impact is expected to be fairly large because of the high cost of financing the increased stock levels.

Profit margins will also be under pressure because of declining productivity, analysts believe. Although U.S. output per man has been deteriorating for some time, productivity has worsened recently because employers are retaining their workers, apparently hoping that demand will pick up soon. This would explain why unemployment has failed to show the sharp rise associated with economic weakness. The drop in capital investment will also, of course, be a drag on productivity in the period ahead.

Meanwhile, high interest rates continue to erode the financial condition of U.S. corporations. Although the precise impact is hard to measure because companies have resorted to some sophisticated accounting tricks to keep up appearances, some estimates have been attempted.

Salomon Brothers, the Wall Street investment firm, recently produced a study showing that interest costs are taking a big bite out of the profits of non-financial businesses.

In 1980, these corporations had interest costs of $56bn. But in the first half of this year alone, with the prime rate at around 20 per cent most of the time, these costs rose to $62.4bn. Had these companies not had any debt, Salomon says, their pre-tax profits since the end of 1979 would have been 42 per cent to 45 per cent higher.

The study also showed that while net interest costs consume a relatively small portion of company funds, these costs are growing steadily. The share allocated to capital and employee compensation, on the other hand, is declining.

Declining profits will add to the pressures on the Reagan Administration and the Federal Reserve to do something about interest rates. Some companies have already begun to agitate in public for a relaxation of monetary policy. However, recent full-page advertisements show that corporate America is far from unanimous about the policies Washington is struggling to implement. Lone Star Industries, the country's leading cement producer, urging readers to complain direct to Mr Paul Volcker, the Fed president while Chase Manhattan, the New York bank, is calling for support of the President's plans.

$50m Eurobond for U.S. utility

By Alan Friedman

THE FOURTH neew Eurodollar bond issue this week was launched last night as Credit Suisse First Boston announced a $50m seven-year bond for Gulf States Utilities, the U.S. group which serves several Southern states.

The coupon is indicated at 17¼ per cent and the bonds are callable in five years at 101 and at par thereafter. The money is to be used for general funding purposes.

Yesterday's coupon was ½ per cent higher than the three new issues launched on Wednesday; the ½ per cent difference may be attributed to the fact that the issue is unsecured and utilities generally carry a slightly lower rating than well-known industrial groups such as Tenneco.

In the Eurodollar sector yesterday, several recent issues were reportedly doing well. Cities Service, for example, was trading at 100¾ to 101¼ against its issue price of par. The market was quiet in the morning, but picked up after lunch on the back of a firm opening in the New York bond market.

In Zurich, the continuing improvement of the Swiss franc against the U.S. dollar helped foreign bond prices, which were up as much as ¾ point in some cases. Credit Suisse postponed its planned private placement on a convertible issue for Nippon Shinpan, the Japanese consumer credit group. The decision was taken at the company's request.

In the D-Mark sector, bond prices were up ¼ point as the dollar weakened against the West German currency.

A floating rate $10m note to 1988 was announced last night for Skanska Bank. The margin will be ¼ per cent per annum above the six-month London interbank rate. Lead managers are the Scandinavian Bank and Nippon European Bank.

The recently launched GMAC Canada issue, which carries an 18 per cent coupon, was increased by C$20m to C$60m because of market demand. The bond was priced at par through the lead manager, Morgan Stanley.

Daimler-Benz truck sales hit in Brazil

By Kevin Done in Frankfurt

THE CRISIS in the Brazilian economy has hit hard at the local truck manufacturing operation of the Daimler-Benz group, which has been forced to cut production by around 40 per cent.

Sales in July suddenly plummeted by more than 50 per cent and the company has no longer been able to cushion the impact of the recession because its order back-log has been virtually exhausted.

The workforce of more than 20,000 has been cut by around a quarter in recent weeks with 5,000 redundancies and truck production has been halted for the six-weeks to the end of September to bring stocks more in line with demand.

Because of strong sales in the first half of the year, Daimler-Benz expects output of trucks and buses still to total around 50,000 in Brazil this year, a fall of around 17 per cent from 60,030 in 1980. Last year it controlled 46 per cent of the Brazilian truck market and 93 per cent of the local bus market.

Outside Brazil and Argentina, the Daimler-Benz group faces fewer problems and it expects a further increase in its car production this year of around 8,000 units, or 2 per cent, to roughly 437,000 vehicles.

Despite lay-offs and short-time working in other parts of the West German motor industry, Daimler-Benz has increased its domestic workforce by around 2,500 in the first half of 1981.

Weak demand for light commercial vehicles in West Germany and other European markets has forced it to reduc output at its Düsseldorf and Bremen works, but this has been offset by moving several hundred workers to other jobs or other plants.

Ford expects car sales rise

FORD MOTOR Company expects its 1982 model year car sales to reach 1.9m compared with between 1.5m and 1.6m in 1981.

Mr Philip E. Benton, Ford's vice president of sales, said while introducing its 1982 models that the company had projected industry car sales would reach 10m vehicles, up from about 9m this year.

Ford officials also said the company expected to sell almost 1m trucks in the 1982 model year, Reuter reports from Southfield, Michigan.

Boardroom row breaks out at Pabst Brewing

BY DAVID LASCELLES IN NEW YORK

A BITTER boardroom row has burst out at Pabst Brewery in the wake of its abortive take-over bid for Jos Schlitz, the company with which it vies for the number three place in the U.S. brewing industry.

Mr Irwin Jacobs, the Minneapolis businessman who owns 10 per cent of Pabst, yesterday announced his resignation as a director claiming that a plan he submitted to the company had been "subverted" by an executive officer. He did not say what the plan contained or whot the officer was, but he said he had tried to get the resignation of the officer, as well as of the directors who had acted with him.

Mr Jacobs, a hard-driving businessman who has made a fortune turning round sickly companies — his his nickname is "Irv the Liquidator — bought into Pabst last year along with four business associates and wrested a place for himself on the Board in July. Pabst, which is based in Milwaukee the beer capital of the U.S., had been in the doldrums for some time, and Mr Jacobs was expected to try and shake it up.

One of his first actions was to throw Pabst into the bidding for Schlitz, another large Milwaukee brewing company

Losses pile up at Reksten units

BY FAY GJESTER IN OSLO

THE TWO Norwegian tanker companies, Hadrian and Trajan, which constitute what is left of the Reksten shipping empire, have incurred a combined loss of NKr 257m for the first half of 1981.

The deficit compares with a loss of NKr 136m a year ago. It lifts the group accumulated deficit to almost NKr 2bn ($345m) and will do nothing to lower the temperature of the financial scandal which hangs over the group.

The Reksten group, which own a fleet of ageing super tankers, has been in financial difficulties since the start of the world tanker slump in the mid-1970s. It was saved from bankruptcy by the Norwegian Government through a number of moves, including share purchases from its former owner, a financial reorganisation and State guarantees for creditors in Norway and abroad.

So far the tanker market has shown little sign of reviving and Reksten has been unable to repay creditors. The existing agreement guaranteeing $161.5m owed to creditors money is due to expire at the end of this year.

The Reksten companies will start talks with the State-backed Guarantee Institute early next week about a renewal of the loan guarantees.

Whether new guarantees will be granted is uncertain.

Crown Zellerbach sees loss

By Our Financial Staff

CROWN ZELLERBACH, one of the major U.S. forest products companies, expects to report a third quarter operating loss because of high interest rates and depressed home building activity.

A tax credit, however, should put the company just in the black at the net level, Mr C. R. Dahl, the chairman, said.

Poor business conditions drove down first half profits to $39.2m, or $1.31 a share, from $53.3m, or $1.96, a year earlier. Third quarter net profit last year was $8.9m, or 23 cents, on sales of $787m.

Mr Dahl said the deficit on timber and wood product operations will be more than $9m in the quarter, compared with this sector's operating profit of $8.1m a year earlier.

Quarterly sales of these operations are expected to drop to about $100m from $156m last year.

Earnings from pulp and paper operations will also decline, reflecting lower prices and a drop in volume mainly because of a six-week strike in Canada earlier this summer.

Between the second and third quarters interest costs rose 30 per cent, or by almost $4m. In the past year, interest costs have risen about 50 per cent.

BANK OF ENGLAND STUDY

Fears on maturity mismatching 'exaggerated'

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

FEARS THAT the growth of the interbank eurocurrency deposit market may have encouraged banks to over-indulge in the dangerous practice of borrowing short to lend long seem to have been exaggerated, according to a new study published by the Bank of England.

This practice, known technically as maturity mismatching, has been one of the main sources of concern to bank supervisory authorities in their struggle to ensure the maintenance of safe standards in international banking.

A bank which has borrowed heavily at short term to finance longer term lending commitments could face severe liquidity problems if, for any reason, short term funds became more expensive or even unavailable.

Its problems would affect other banks in the market, leading by way of a chain reaction to an international banking crisis.

The Bank study in the latest quarterly bulletin argues that maturity mismatching in the interbank market itself is relatively small.

British banks have net interbank foreign currency liabilities (deposits not matched by assets of the same maturity) amounting to 8.7 per cent of their total liabilities in the one-to-three month maturity range and 8.8 per cent in three to six months.

Mismatching of interbank foreign currency liabilities in other maturity positions by British banks was much lower, as was mismatching in the interbank market by other national groups of banks.

Only the consortium banks, which are heavily reliant on Eurocurrency deposit finance, showed relatively high mismatching in the one-to-six month deposit range.

The study argues that overall Eurocurrency mismatching by banks in the UK, including positions with non-banks as well as banks, has remained about constant in relative terms over the past seven years.

But it warns that the growth of the interbank market as a whole—international interbank activity world wide rose to nearly $900bn (£485bn) at the end of 1980 from under $150bn in 1973—means that the results of any crisis that did occur would be far-reaching.

CURRENCY COMPOSITION OF THE UK EUROCURRENCY MARKET

$ billions

End period	Inter-bank liabilities $	Inter-bank liabilities Other currencies	% share of total liabilities in the respective currencies $	% share Other currencies
1978 June	110.9	37.2	57	70
Dec.	133.7	45.5	60	70
1979 June	136.2	51.7	56	70
Dec.	164.0	59.6	56	68
1980 June	191.6	66.9	57	70
Dec.	225.6	70.1	59	70

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Tuesday October 13.

Closing prices on September 17

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Amoco 13¾ 88	75	85¾	86¼	0	+0¾	16.85
CIBC 14½ 84	185	94⅞	95⅜	+0⅛	+0¾	16.88
CIBC 15⅞ 86	75	96	96½	0	+0⅝	16.38
CNA 15⅛ 96	75	89⅝	89⅝	0	+0⅝	17.23
CNE 12¾ 91	100	79⅝	80	+0⅛	+0¾	17.20
Citicorp Int. Fin. 15 88	150	95⅜	95¾	−0⅛	+0⅝	16.41
Citicorp O/S 15½ 84	175	98¾	99¼	+0⅛	+1¼	15.87
Con. Illinois 14¾ 84	100	94¾	95¼	0	+0¾	17.02
EEC 14¾ 93	65	89⅛	89¾	+0⅛	+0⅜	16.81
EIB 12⅞ 89	75	83⅜	83⅞	+0⅛	+0¾	16.86
Eldorado 13⅞ 88	50	88⅜	88⅞	−0⅛	+0⅝	16.98
Elec. de France 13 88	125	84¾	85¼	+0⅛	+0¼	17.02
Fed. Bs. D. 15⅞ 84 (J)	40	98⅜	98⅞	+0⅞	+0¾	16.30
Fin. Exp. Credit 10½ 85	50	81¾	82¼	+0⅞	+0⅝	17.31
Finland, Rep. of 9½ 86	100	77½	78	+0⅜	+1	15.89
Ford Cr. O/S Fin. 16 84	150	98⅞	99⅛	−0⅛	0	16.31
Ford Cr. O/S Fin. 16 86	150	97⅜	97⅞	0	+0¾	16.82
Gaz de France 13½ 86	80	89⅜	89⅞	0	+0½	17.00
GMAC O/S Fin. 12⅞ 88	100	86	86½	−0⅛	+1⅛	16.46
GMAC O/S Fin. 14⅜ 87	100	92⅝	93⅛	+0⅛	+0⅞	16.71
Genstar 14⅜ 91	50	92	92½	0	−0⅜	16.35
Hiram Walker 16 88	50	100¼	100⅝	0	+0⅜	15.80
IBM Wld. Trade 14⅜ 84	100	99⅞	100⅜	0	+0½	14.60
IBM Wld. Trade 14⅜ 85	60	99	99½	0	+0⅜	14.98
Nat. Bk. Canada 15⅞ 84	40	97	97½	+0⅛	+0⅜	15.47
Newfoundland 13½ 90	60	84⅝	85⅛	0	+0⅝	16.85
Nova Scotia 15 91	75	92	92½	−0⅛	+0⅜	16.61
Ontario Hydro 13½ 91	100	86	86½	+0⅛	+0⅜	16.42
Pacific Gas Elec. 16 88	75	100⅞	101⅜	+0⅛	+0⅜	15.69
PSNH Int. Fin. 17 86	30	99	99½	+0⅛	+0⅞	17.20
Royal Bk. Canada 14 86	100	92¾	93¼	+0⅛	+1	16.19
SNCF 13 91	75	83	83½	0	+0⅝	15.58
Shell Canada 15⅜ 91	100	97⅜	98⅛	−0⅛	+0⅜	16.19
Sth. California 14 87	50	94⅜	94⅞	0	+0⅜	15.52
Sth. California 14¾ 88	50	94⅛	94⅝	−0⅛	+0⅜	16.13
Sven Handlsbk. 13⅜ 88	45	87⅞	88⅜	+0⅛	+0⅝	16.87
Swed. Ex. Credit 13 86	75	88	88½	+0⅛	+1⅛	16.97
Swed. Ex. Cred. 15⅜ 86	50	95⅛	95⅝	0	+0½	17.18
Toronto-Dom. Bk. 14 84	50	94	94½	+0⅜	+0⅜	16.78
Tribune O/S Fin. 14 86	50	90½	91	0	−0⅛	17.03
Walt Disney 15⅜ 88	100	96⅜	96⅞	0	+0¼	16.79
Wells Fargo Int. 15½ 84	50	98⅜	98⅞	+0⅛	+0⅞	16.05
World Bank 14⅜ 86	500	92¼	92¾	0	+0⅝	16.71
World Bank 16 86	210	98	98½	−0⅛	+0⅝	16.48
World Bank 16 88	80	98	98½	−0⅛	+0⅝	16.38

Average price changes... On day 0 on week +0⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. Bank 10 91	100	94⅞	95⅜	−0⅛	0	10.84
Austria Rep. of 8¾ 92	150	85⅜	85⅞	+0⅛	+0⅜	10.44
CECA 7⅞ 92	150	84⅞	85⅜	0	+0½	10.21
CECA 10 91	120	98⅞	99⅜	+0½	+1⅞	10.06
CII-Honeywell 9⅜ 90	125	84	84½	+0⅜	+0⅜	11.24
Council of Europe 10 91	100	97⅝	98⅛	+0⅜	+1	10.36
EIB 8½ 90	200	87⅝	88⅛	+0⅛	+0¼	10.62
EIB 10½ 91	200	99⅝	100⅛	−0⅛	+0½	10.52
ESCOM 9⅞ 87	100	90⅝	91⅛	+0⅜	+1⅛	11.36
Finland, Rep. of 10 89	100	97⅜	98⅛	0	+0⅞	10.42
Iberduero SA 9 90	100	89⅝	90⅛	0	+1⅛	10.80
Ind. Bk. Finland 8½ 90	50	88⅝	89	+0⅛	+0⅜	10.49
Int.-Am. Dv. Bk. 10 91	100	95⅞	96⅜	+0⅜	+0⅞	10.63
Japan Air Lines 8⅜ 87	100	90¾	91½	+0½	+0⅞	10.12
Japan Dev. Bk. 7⅜ 87	100	88⅞	89⅜	+0⅞	+1⅛	10.11
Kobe, City of 8 90	100	86⅞	87⅜	+0⅛	+1½	10.28
Midland Int. Fin. 8½ 90	150	88⅞	89⅜	+0¼	+1⅛	10.47
Nuclebras 9⅜ 88	100	87⅝	88	+0⅝	+1½	12.51
OKB 8⅜ 92	150	85⅜	85⅞	+0½	+1⅞	10.55
Oslo, City of 8¾ 90	80	90⅜	90⅞	0	+0⅜	10.48
Renault Acc. 10⅜ 85	150	97⅞	98⅜	+0⅜	+0⅜	11.22
Venezuela, R. of 9⅜ 90	150	93⅜	94⅛	+0⅛	+0⅜	10.85
World Bank 8 90	700	84⅞	85⅜	+0⅛	+0⅝	10.74

Average price changes... On day +0½ on week +0⅞

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Aeroport Paris 6½ 91	60	90⅞	91⅛	+1	+1½	7.86
BFCE 6½ 91	100	†89½	90	+0⅛	+0⅛	8.09
Bayer Int. Fin. 5⅞ 92	100	83⅜	83⅞	+1½	+2⅛	7.49
Belgelectric Fin. 7⅜ 91	100	†97⅛	97½	+0⅝	+1⅝	8.14
Bergen, City of 6⅞ 91	40	94⅜	94⅞	+0⅜	+0⅞	7.55
CECA 6¾ 91	80	90⅞	91⅛	−1⅛	+0⅞	8.13
Denmark 5⅞ 90	80	†79¾	80	+0⅜	+0⅜	9.23
Dome Petroleum 5⅞ 91	100	85⅜	85⅞	+1	+1⅛	7.95
Dome Petroleum 7⅜ 90	100	†98½	99⅜	+0⅜	+2	7.31
Elec. de France 5⅛ 90	100	80⅞	81⅛	+0⅞	+0⅜	8.33
Eurofima 5⅜ 92	80	†90	92	0	−4½	6.94
Finland, Rep. of 5⅜ 90	80	85	85½	+6⅛	+7⅜	8.00
Franc. Petroles 6½ 91	80	†89½	90½	+0½	−0⅞	8.03
Genstar 7 91	100	95⅛	96	−0⅜	+0⅛	7.65
Int.-Amer. Dv. Bk. 7 91	100	90⅜	91⅛	−1½	−1⅛	8.39
Japan Dev. Bank 6⅜ 90	100	88	88½	+0⅝	+1½	7.59
Mt. Blanc Tunnel 5½ 90	80	†83	83½	−1⅞	+3	8.21
Newag 5⅜ 90	80	85⅞	86⅜	−2½	−2⅜	8.02
OKB 7 93	100	94½	94⅞	+0⅝	+1	7.71
Oslo, City of 5⅞ 90	80	88⅜	88¾	+2⅜	+4⅞	7.68
Philips Lamps 5½ 92	100	82⅝	83⅛	+1⅞	+0⅜	7.80
Swed. Ex. Credit 7⅜ 91	75	93	94	+0⅜	+1⅛	8.25
Trade Dev. Fin. 6⅜ 90	50	90½	91	+4	+4½	7.58
Voest-Alpine 5⅜ 90	80	82⅜	83⅛	+1⅞	+2⅜	8.53
World Bank 6 91	100	88⅞	89⅝	+3⅞	+4½	7.65
World Bank 7 90	100	96⅜	96⅞	+0⅜	−0⅝	7.56

Average price changes... On day +0⅝ on week +1½

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. Bk. 8⅜ 91	15	96⅝	97⅛	0	0	8.67
Australia 8½ 88	20	85⅞	86⅜	0	+0½	9.49
EIB 7⅜ 88	12	93¼	94½	0	+0½	8.85
Finland 6.8 88	10	84⅞	86⅛	0	+0¾	9.85
Finland, Rep. of 8⅜ 87	15	96	97	0	+0½	9.17
New Zealand 8½ 87	15	96⅞	97⅞	0	−0⅛	8.96

Average price changes... On day 0 on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Bell Canada 10⅜ 86 C$	60	82⅜	83⅜	0	+0¼	15.81
CIBC 13½ 85 C$	50	90⅞	91⅛	0	+0⅛	17.01
CIBC 11½ 85 C$	60	84⅜	85⅛	0	−0⅛	17.21
Federal Dev. 11½ 90 C$	80	†75	76	0	0	17.03
Fst. Can. Inv. 10 84 C$	50	†83	84	0	+1	18.28
R. Bk. Canada 10 86 C$	40	†81½	83½	0	0	15.49
Terdom Cpn. 13½ 85 C$	30	†92	93	0	0	16.29
M. Bk. Dnmk. 9 91 EUA	25	82	83⅛	+0⅛	−2¼	12.04
SOFTE 8¾ 89 EUA	40	77⅝	78⅛	0	−1⅝	12.89
U. Bk. Nwy. 9½ 90 EUA	18	86	87	0	−1⅞	12.11
Algemene Bk. 10⅜ 86 Fl	60	92½	93	0	+0⅜	12.42
Amro Bank 12 86 Fl	75	98⅝	99⅛	+0½	+1⅜	12.29
Heineken NV 10 87 Fl	100	90	90½	+0⅛	+0⅜	12.43
Nat. Nedrindn. 10 88 Fl	60	92⅜	93⅛	−0⅛	+1	11.61
Ned. Midd. Bk. 10 85 Fl	75	92⅛	92⅝	−0⅛	−0⅝	12.54
Pierson 10⅜ 86 Fl	50	92⅛	92⅝	−0⅛	+0⅜	12.54
Rabobank 12 86 Fl	50	97⅜	98⅛	+0⅛	+0⅜	12.55
Air France 14½ 86 FFr	200	89⅜	90⅜	0	+0⅝	17.82
Bk. America 14½ 88 FFr	250	89	90	0	+0⅛	17.94
Charb'nages 13⅞ 85 FFr	400	88¼	89¼	0	+0⅜	17.79
EIB 14⅛ 88 FFr	300	85⅞	86⅞	0	+0⅛	17.82
La Redoute 14⅜ 85 FFr	125	86⅞	87⅞	+0½	+1	19.85
OKB 14 86 FFr	400	88¼	89¼	0	+0⅞	17.80
Solvay et C. 14⅜ 86 FFr	200	90½	91½	−0⅛	0	17.72
Swed. E. Cr. 14⅜ 86 FFr	250	87⅛	88½	+0⅛	+0⅜	*
U. Mex Sts. 14 85 FFr	150	88⅜	89⅜	+0⅛	+1	19.30
Acona 14 85 £	20	90⅜	91⅛	−1⅛	−1⅛	17.01
Beneficial 14⅜ 90 £	20	81	81⅜	−1⅛	−1⅛	18.55
BNP 13½ 91 £	15	83⅜	84½	−1	−1⅛	16.98
CECA 13⅜ 88 £	20	86⅜	87⅜	−1½	−1⅛	16.81
Citicorp O/S 13½ 90 £	50	87½	88⅛	−0½	−1⅜	16.19
Fin. Ex. Cred. 13⅜ 86 £	15	90⅜	91½	−1⅛	−1⅞	16.73
Gen. Elec. Co. 12½ 89 £	50	83⅛	84⅞	−0⅛	−1	16.19
Hiram Walker 14⅜ 86 £	25	92⅝	93⅜	−0⅛	−0⅛	16.46
Privatbanken 14½ 88 £	12	89⅜	90⅜	0	−0⅝	17.07
J. Rothschild 14½ 90 £	12	92⅛	92⅞	−0⅜	−0⅞	15.86
Royal Trustco 14 86 £	12	92⅝	93⅜	−0⅛	−0⅜	16.33
Swed. Ex. Cr. 13⅜ 86 £	20	89⅞	90⅝	−1½	−2½	16.93
Akzo 9⅜ 87 LuxFr	500	89½	89½	+0⅛	+0⅛	11.87
Euratom 9⅜ 88 LuxFr	500	86½	87½	0	0	12.85
Eurofima 10½ 87 LuxFr	500	88⅜	89⅜	−0⅛	−0½	13.19
EIB 9⅜ 88 LuxFr	600	85⅜	86⅜	0	−0⅜	13.20
Volvo 9⅜ 87 LuxFr	500	83⅞	84⅞	+0⅛	+0⅛	13.62

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¼ 90	0⅛	98⅝	99⅛	18/12	16⅝	16.94
BBL Int. 5 86	0⅜	99⅜	99⅞	20/11	18.31	18.39
BNP 5½ 88	‡0⅛	99⅜	99⅞	29/10	18.81	18.91
Christiania Bk. 5½ 91	‡0⅛	98⅞	99⅜	5/11	19.19	19.36
Citicorp O/S Fin. 94	‡0	99⅜	99⅞	30/9	19.19	19.28
C. Itoh 5⅛ 87	0⅜	99⅜	99⅞	18/9	15.44	15.50
Co-operative Bk. 6 86	0⅜	99⅜	100	15/11	19.56	19.61
Den Norske Credit 6 90	‡0⅛	99	99½	5/11	19.19	19.33
Genfinance 5⅜ 87	0⅜	99⅜	99⅞	30/10	16.94	17.00
Genfinance 5⅜ 92	0⅜	99¼	99¾	30/12	18.31	18.40
Giro und Bank 5⅜ 91	‡0⅛	98⅞	99⅜	23/9	19.06	19.23
GZB 5⅛ 92	‡0⅛	98½	99	5/12	17¼	17.47
Ind. Bank Japan 5⅛ 88	0⅜	99⅜	99⅞	9/10	16.44	16.50
Lloyds Eurofin 8 90 £	0⅛	96½	97	6/1	13⅝	14.08
Lloyds Eurofin 5⅛ 92	0⅜	98⅝	99⅛	4/12	17.44	17.64
LTCB Japan 5⅛ 86	0⅜	99⅜	99⅞	13/12	17¼	17.31
LTCB Japan 5½ 89	0⅜	99⅜	99⅞	16/1	18.32	18.39
Man. Hanov. O/S 5⅜ 94	‡0⅛	99⅝	100⅛	30/11	19⅜	19.40
Merrill Lynch O/S 87	‡0⅛	100	100½	9/11	19.06	19.07
Midland Int. Fin. 5⅜ 92	0⅜	98⅜	99⅜	5/12	17⅜	17.55
Midland Int. Fin. 9 91	0⅜	98⅝	99⅛	30/10	16.81	17.00
Nacional Fin. 6⅜ 86	0⅜	99	99½	25/1	19⅜	19.40
Nacional Fin. 5½ 88	0⅜	97⅜	97⅞	25/9	14⅞	15.24
Nat. Bk. Canada 5⅜ 88	0⅜	99⅞	99⅞	24/9	14½	14.58
Nat. West 5⅜ 94	§0⅛	98⅝	99⅛	14/10	16.19	16.37
Nat. West. Fin. 5⅜ 91	§0⅛	98⅝	99⅛	15/1	18⅛	18.33
Nat. West. Fin. 5⅜ 92	§0⅛	98⅝	99⅛	23/10	16.81	17.00
Pemex 6 91	0⅜	97⅜	97⅜	8/10	15.31	15.71
Societe Generale 5⅜ 91	0⅛	98⅞	99⅜	22/1	18⅝	18.79
Sparebanken 6 87	0⅜	98¼	98¾	19/12	16.81	17.07
Svenska Hndlsbk. 5 87	0¼	99½	100	15/1	18⅛	18.17

Average price changes... On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	7/81	933	86½	87¼	+2⅜	1.24
Bow Valley Inv. 8 95	4/81	23.12	98⅜	99⅜	0	28.19
Canon 6⅜ 95	1/81	829	168⅞	170⅜	+6⅜	3.93
Daiwa Secs. 5½ 96	12/81	539	90½	92	+1⅛	−1.93
Fujitsu 5½ 96	7/81	732	105⅛	106⅛	+7	10.02
Furukawa Elec. 5⅜ 96	7/81	300	108⅜	109⅜	+5⅜	1.78
Hanson O/S Fin. 9½ 96	8/81	2.74	86	87½	+0⅛	−2.94
Hitachi Cred. Cpn. 5 96	7/81	1985	83⅜	84⅜	+1⅛	1.57
Ina Overseas 8⅜ 2000	4/81	42	92⅜	94⅛	−2⅜	2.67
Inchcape 8 95	2/81	4.55	60⅜	62⅜	+1	9.17
Kawasaki 5⅜ 96	9/81	229	98⅜	100⅜	−0⅛	−15.48
Marion Int. Fin. 9 95	12/80	16.5	70½	72	−2⅜	33.86
Marui 6 96	7/81	931	84⅞	85⅞	+0⅜	7.19
Matsushita El. 7½ 95	11/80	590	86⅞	87⅞	+2½	2.07
Murata 5⅛ 96	7/81	2190	97⅜	98⅜	+3½	8.05
NKK 6½ 96	7/81	188	111⅞	112⅞	−0⅛	26.58
Nippon Chemi-C. 5 91	10/81	919	85⅞	87⅛	+4⅜	4.51
Ricoh 6⅜ 95	8/80	604	138⅜	140⅛	+8⅜	1.87
Sumitomo M. Ind. 7 95	2/81	181	145	146½	+2½	−3.82
Swiss Bk. Cpn. 6¼ 90	9/80	200	70	72	0	20.64
Taylor Woodrow 8⅜ 90	1/81	4.94	83⅜	84⅛	−3⅞	−5.61
Transco Int. 8⅜ 95	2/81	68	71½	72⅜	−2	19.24
Tricorp 8½ 95	12/80	31.25	†73½	75	−3	22.12
Union Bk. Switz. 5 89	2/80	70.79	70	72	0	7.76
Sharp Cpn. 6½ 88 DM	9/80	595	166⅜	167⅜	−0⅛	−0.64
Uny Co. 6½ 85 DM	11/79	879.3	100	101	+0½	−3.19

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month: § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

French map out compensation plan

BY TERRY DODSWORTH IN PARIS

THE FRENCH Government is proposing to compensate shareholders in the public companies which it is due to nationalise on the basis of a formula geared to average share prices over the last three calendar years.

This proposal, contained in the draft nationalisation bill put to the Conseil d'Etat, the Government's legal body, earlier this week, is among the more controversial items in the programme. It effectively excludes alternative suggestions, such as the use of real asset values and profitability, as the criteria on which to buy out existing shareholders.

The draft Bill also makes it clear that the Government is preparing to exercise much closer control over the flow of credit to industry. It says that finance will be channelled by the relevant ministries according to the dictates of the National Plan, and adds that it is aiming to create a new network of co-operative regional banks. The various banking activities that are being taken over may also be merged and restructured.

Among the detailed proposals of the draft Bill are the following:

● On compensation, the Government is proposing to buy out shareholders by means of 15-year bonds which will carry interest payments linked to the *yields on Government* fixed-interest stock. The three years to the end of 1980 will be used to calculate the average value of the individual company shares to be bought — a formula which is already attracting considerable criticism from shareholders.

The Paris Stockbrokers Association said yesterday that a market price formula for compensation undervalues the basic worth of the companies to be taken over by the state. For its part, the Association would prefer to see average market prices plus 50 per cent

The bonds are to be valid from January 1 next year, and *first interest payments* are scheduled for July 1982. From January 1, 1983, the Caisse Nationale de l'Industrie, a special issuing office to be set up by the Nationalisation Act, will be prepared to reimburse the bonds at par according to the periodic lot-drawing system used on the Paris Bourse.

Shareholders affected by nationalisation are also to receive a dividend for 1981 equal to their net profits per share for that year.

● On the banks, the draft Bill proposes to tackle the tricky question of participation in overseas businesses through a clause allowing them to dispose of directly or indirectly-held affiliates. This clause is designed to allow the banks to reach amicable solutions in the event *of overseas interests* objecting to a takeover.

The Bill will also provide for the banks to be restructured by empowering the Government to transfer shares in any of its activities it is acquiring either to other banks or other parts of the public sector.

In addition, the new mutualist *banks are to be created to* serve one or two regions each. The shaerholders in these organisations may include the state and the local government authorities, and they will be empowered to undertake all standard banking activities, including investment *shareholdings*.

Finally, the Bill establishes the aim of close state control over the companies and banks which are being nationalised. The chairmen of these companies will be chosen by the Government, which will also *nominate seven directors* to the boards of the five industrial companies concerned (Saint-Gobain, PUK, Rhone-Poulenc, Thomson-Brandt and CGE), and four to each of the banks.

The Government will in addition nominate the chairmen, who will have to be ratified in full Cabinet in the case of industrial groups. In both the industrial companies and the banks, the boards will also include a number of workers' representatives —about equal to the weight of the government representation —along with individuals representing *public interests*.

Hochtief in talks with Dutch dredger

By Charles Batchelor in Amsterdam

HOCHTIEF, the West German construction company, is holding talks with Internatio-Mueller, the Dutch trading and industrial group, aimed at acquiring its Broekhoven dredging subsidiary.

Mueller revealed earlier this month that the recent decline in profits meant it would be forced to sell off Broekhoven, which it described as "very profitable," to raise funds for use elsewhere in the company. The sale of Broekhoven would release Fl 130m ($51m) worth of assets.

The Dutch group said it was also unable to raise the Fl 100m needed to expand Broekhoven's dredger fleet. Broekhoven is active in the Far East, particularly in Pakistan, and has an order book taking it well into 1982, according to Mueller.

The dredging company has a permanent workforce of 250 and employs an additional 200-250 local staff on short-term contracts.

Mueller made a net profit of Fl 840,000 ($330,000) in the first half of 1981 compared with Fl 8.5m in the same 1980 period. It expects a profit for the full year compared with a loss of Fl 58m in 1980.

Porsche deliveries fall sharply

BY KEVIN DONE IN FRANKFURT

PORSCHE, THE West German high performance sports car manufacturer, suffered a sharp fall in volume sales in its last business year with deliveries dropping to the lowest level for five years.

In the year to the end of July, Porsche sold around 28,000 vehicles compared with 31,764 in the previous year and 39,561 in 1978-79. The company's turnover also dipped slightly to DM 1.18bn ($513m) from DM 1.24bn in 1979-80.

Porsche is confident, however, that its fortunes are improving. Herr Heinz Branitzki, the finance director, said yesterday that volume sales should return to the level of between 30,000 and 31,000 in the current year. The company has been helped by a growing customer preference for higher value models.

Production will begin in November of Porsche's new four-cylinder, 2.5 litre model, the 944, with which the company hopes to regain lost customers at the lower end of its range, *particularly in the U.S.*

Like the 924, from which it has been developed, the 944 will also be produced under contract at the Audi works at Neckarsulm. It will have a Porsche-built engine, however, instead of the 924's Audi unit, and the company is hoping that this will give the model greater identity, especially in the U.S.

For 1982-83, when the 944 production has been fully established, Porsche is hoping for sales in excess of 35,000 units. The company is also planning to build the first open-top version of its long-running 911 model, which has been in production for 18 years.

A prototype four-wheel drive 911 roadster was unveiled yesterday at the Frankfurt international motor show, but a production unit is expected to be a conventional rear-wheel drive model.

Porsche is investing heavily to build up its engineering capacity in order to take on more work for third party customers. Herr Branitski said the company was aiming to increase the share of outside contract work from the present one-third to around a half of its engineering output. Outside engineering work achieved a turnover of around DM 60m in the past business year, about 5 per cent of group sales.

Santos doubles payout as half-year earnings soar

BY OUR SYDNEY CORRESPONDENT

SANTOS, which operates the Cooper Basin gas producing consortium, has doubled its interim dividend after a jump in earnings from A$4.3m to A$7.8m (US$9m) in the six months ended June, 1981.

The company will pay a 2 cents a share dividend on increased capital against the equivalent of one cent.

Profit was boosted by accounting changes plus a rise in the price of natural gas supplied for domestic use in South Australia. It rose 19 per cent in that state in January. A price rise of 15 per cent for gas supplied to New South Wales should help keep the profits momentum going in the current six months.

The volume of gas supplied during the first half increased 11 per cent. Sales totalled A$21.2m, compared to A$16m.

After tax, profits for the half-year totalled A$5.9m compared with A$3.8m. For the whole of 1980, net earnings amounted to A$9.8m, which represents a rise of almost three-fifths over 1979.

Santos is one of the major energy groups in Australia. It numbers among its shareholders two of the nation's more active entrepreneurs, Mr Rupert Murdoch and Mr Alan Bond.

Vesta hit by rising damage claims

By Fay Gjester in Oslo

VESTA, one of Norway's leading insurance companies, saw damage claims rising faster than premium income in the first half of 1981. Operating profits before allocations fell to NKr 55.7m ($9.5m) from NKr 60.3m. Long-term risk equalisation funds were allocated NKr 35m, compared with NKr 38m.

The half-year report expresses concern at steeply rising costs in the insurance business and forecasts that some important sectors, such as car and combined insurance, will show a loss this year. Operating costs and commission expenses increased by 14.8 per cent compared with the first half 1980.

While damage claims for own account in the half-year were 10.2 per cent up, at NKr 379m, own account premium income increased by only 5.6 per cent to NKr 5m. A bright spot was financial income, up 40 per cent to NKr 80.1m.

The most marked rise in premium income was in the marine sector.

Compromise on La Centrale newspaper deal

By James Buxton in Rome

THE Bank of Italy has reached a compromise with Sig Roberto Calvi's finance company, La Centrale, over its controversial plan to take a 40 per cent stake in the Rizzoli group, which owns the Corriere Della Sera, Italy's leading newspaper.

The central bank had originally approved the transaction, but only on condition that La Centrale's shares would have non-voting status. This was because it had recently tightened its rules on banks owning newspapers and La Centrale is controlled by Banco Ambrosiano.

Now, the Bank of Italy and the Treasury have decided that Centrale's shares, which will cost it L153bn ($130m), can have full voting rights, but will be materially owned by the Bank of Italy itself until La Centrale sells them to other concerns.

The deal has been accepted by La Centrale, which had argued that it would not be able to fulfil its originally stated intention of placing its shares with other companies if they did not carry voting rights.

ANI shows record profit and increases dividend

BY OUR SYDNEY CORRESPONDENT

AUSTRALIAN National Industries, the diversified engineering concern, reaped the benefit of the country's resources development in the year to June 30, lifting its profit by 16 per cent to A$23.49m (U.S.$27m) from A$20.17m in 1979-1980.

Sales of the group, which is heavily involved in supplying heavy equipment to the mining and transport industries, rose 15.5 per cent to A$560.2m (U.S.$640m), from A$485.1m. The total dividend has been lifted from 12.6 cents to 13.5 cents, a level which like that of profits and sales is a record.

Mr John Leard, the managing director, predicts that the company will also show a strong performance this year, saying that it had already made the best start to any trading period in its history. All the company's divisions—with the exception of the metal forming operations, which were undergoing rationalisation—had contributed to the higher 1980-81 result and to the good start to the new year, he said.

The group kept a tight rein on borrowings during the year, and, despite higher interest rates, the overall interest bill dropped from A$4.17m to A$4.01m. But depreciation charges were up from A$8.08m to A$9.37m, and tax took A$12.77m out of profits, compared with A$9.94m previously.

"The company is budgeting for a further increase in profits in 1981-82 and is confident it will achieve its 15th successive year of profit growth," Mr Leard said.

Among the divisions which recorded significantly improved profits in 1980-81, were ANI Sargeants, the heavy engineer, Capitol Motors, the motor vehicles distributor, and Coates Hire Services, the equipment rental concern, while increased earnings were returned by ANI Perkins, the engineering merchant, and Steelmark, the metals merchant, as well as from associates.

Income drop at UCB

By Giles Merritt in Brussels

UCB, the Belgian chemicals, film and pharmaceuticals group, reports a sharp fall in net profits for the first half of 1981. Despite a rise in turnover to BFr 12.52bn ($331m) from BFr 11.7bn in the first six months of 1980, after-tax profits slipped to BFrs 122m from BFr 295m.

In April this year, UCB said it was maintaining its BFr 140 per share dividend for 1980, even though net profits for the full year had dipped to BFr 219m from BFr 330m in 1979.

UCB said in Brussels yesterday it expects some improvement in its film and chemicals operations in the second half of the year and this could help lift earnings.

Esselte optimistic despite setback in first quarter

BY WESTERLY CHRISTNER IN STOCKHOLM

ESSELTE, the Swedish office supplies, graphics and packaging group, which is currently bidding for the UK Letraset graphics group, reports a drop in pre-tax profits for the first quarter of 1981-82.

Despite a 13 per cent increase in turnover to SKr 1.18bn, profits have tumbled by SKr 13m to SKr 52m ($9.3m).

However, Mr Sven Wallgren, managing director, told the general *shareholders' meeting* this week that the group would be able to meet its forecast in the annual report that earnings would exceed the SKr 281m made in 1980-81 and sales would rise by 10 per cent from last year's SKr 4.72bn.

The decline in first quarter earnings was attributed to seasonal demand fluctuations for most group products, which should be compensated for later in the financial year.

Mr Wallgren pointed out that calculations in the forecasts excluded "all effects of the possible acquisition of Letraset."

Esselte plans to offer promissory notes in sterling to Letraset's shareholders to defer the seller's capital gain tax, he said, adding that it was "still far too early to assess our chances" for carrying the bid through.

The business systems division registered first quarter sales of SKR 713m, a SKR 118m gain; the printing and packaging division's turnover was SKR 308m, up SKR 25m; and the publishing and book retailing operations remained steady at SKR 221m.

U.S. ACCOUNTING CHANGE EXPECTED TO HELP NEXT YEAR

Currency conversion hits Sony profit

BY RICHARD C. HANSON IN TOKYO

IN SPITE of record third quarter sales, with particular growth in video tape recorders, consolidated net profit of Sony Corporation fell 14.2 per cent to Y13.98bn ($61.67m) in the third quarter. Per share profit fell to Y61 from Y76.

The decline, however, was attributed entirely to an Y8bn foreign exchange loss, mostly the result of translating overseas business into yen under current U.S. accounting practices. Sony expects net profit for the full year to be flat or down slightly as a result of the rules.

On the other hand, consolidated sales are expected to top the Y1,000bn mark for the first time, a 15 per cent gain over last year. Operating profit for the year is also expected to rise about 15 per cent.

The widely expected drop in net profit for the quarter marred what Sony considers to be "remarkable" increases in sales and operating profit. Consolidated sales were up 15.5 per cent to Y248.6bn.

Operating profit for the quarter jumped 34.? per cent to Y37.9bn, with efforts to reduce the cost of sales meeting with particular success. The latest performance was considerably better than that fo the previous three months, net profit gaining 22 per cent from the second quarter when there was a slight foreign exchange gain.

Sony said the third quarter performance indicated improving business conditions for the rest of the fiscal year which will continue into next year. By then, the group expects changes in U.S. accounting rules which will move the damaging—and misleading—translation losses on foreign exchange from profit and loss statement to the balance sheet.

The yen's sharp appreciation over the past year against most European currencies reduced the value of substantially higher European sales in the consolidated report.

Local currency sales were up 26 per cent in the U.S., 33 per cent in the UK, 34 per cent in West Germany and 56 per cent in France. But consolidated overseas sales were only 24.6 per cent higher.

Overseas sales, of which 20 per cent represent production outside Japan, accounted for 73.7 per cent of all sales, against 68.3 per cent in 1980. Domestic sales, meanwhile, dipped 4.1 per cent as a result of sluggish consumer demand.

Sony expects that domestic sales will pick up late in the year, partly on the strength of a new down-sized video tape recorder introduced earlier this year. Production volume is now reaching full capacity.

Sony's Betamax VTR sales have continued to rise sharply. VTRs gained 39.4 per cent during the first nine months of the year, taking 26.4 per cent of all sales. Moreover, production volume is expected to double again next year from an estimated 1.5m units this year.

Outside of Japan, Sony said that its colour television production in San Diego, California was already straining its full capacity. The company, therefore, may look for another plant site to meet the expected growth in U.S. demand.

Lay-offs in rehabiltation plan at Mitsui Mining and Smelting

BY YOKO SHIBATA IN TOKYO

JAPAN'S LARGEST integrated smelter of non-ferrous metal Mitsui Mining and Smelting with a strong emphasis on zinc, has mapped out a rehabilitation plan. This calls for the dismissal of more than 1,000 workers or about 18 per cent of the workforce and the liquidation of the deficit-ridden Miike zinc refinery. The management has asked the company's five labour unions for their co-operation on the reconstruction plan.

Mitsui Mining and Smelting, like other Japanese non-ferrous metal smelters, has been suffering from a sharp fall in demand and the collapse of the market price because of the slump in international business. In addition, higher energy costs from electric power weakened the company's earnings.

The company operates the largest zinc mine in Asia and a large copper mine in Peru. Sales of zinc and copper still account for as much as 60 per cent of the total turnover. Because of high dependence on zinc and copper, the company was hard hit by oil price increases.

The company's delayed tactics in cutting down mining operations and diversification of its business into other divisions such as electronic parts and nuclear fuels were blamed for the business setbacks.

The company expects operating deficits of Y?bn ($26.55m) in the current fiscal year ending March 1982, after registering cumulative deficits of Y4.4bn by the end of the past fiscal year.

Under the rehabilitation plan, Mitsui has to drop 1,026 workers (including 700 voluntary retirements). This layoff would save personnel cost of Y5.5bn a year. Another feature of the reconstruction plan involves hiving off its most unprofitable Miike zinc refinery which has a production capacity of 100,000 tons a year.

These drastic measures are expected to wipe out prospective cumulative losses of more than Y10bn by the end of the current fiscal year and return to profit in the year ending March 1983. As part of its long-term reconstruction plan, the company is trying to bring its non-ferrous metal operation down to 30 per cent of the total business.

Under the plans, assets of Y3.5bn are to be sold, and an across-the-board pay cut of 5 per cent is called for next year.

Australia drops Shell float demand

By Patricia Newby in Canberra

THE Australian Government has withdrawn its controversial request to Royal Dutch/Shell, the major oil group, to divest itself of a quarter of its local operation to Australian investors following representations from Shell's Australian management.

Mr John Howard, the Australian Treasurer, said yesterday he accepted Shell's argument that the time was not opportune for Shell to sell part of its Australia operation because financing, investment and contractual arrangements had been entered into on the basis that the Australian operation remained a wholly-owned subsidiary of Royal Dutch Shell.

Mr. Howard said he accepted as "commercial reality" that disturbance of Shell's arrangements which were made within the foreign investment guidelines would not have been "a reasonable requirement of government." However, Shell, which has substantial oil, gas and coal interests in Australia, has agreed that it will include Australian participation in future projects—just how is to be the subject of further discussion. Under current foreign investment rules Shell, or any other foreign company, is supposed to have 50 per cent Australian participation in new resources projects.

Mr Howard's request to Shell on August 12 that it sell 25 per cent of its Australian operation to local investors — a float that would have raised A$500m (US$580m) if it had taken place — came as a complete surprise to Shell and the business community. Some Treasury officials were against it, saying that such participation would decrease rather than increase Australian ownership of resources as the minority Australian shareholding would have no say in Shell's affairs. Australian money could be better spent, the bureaucrats argued, by buying Australian resource projects directly.

No similar request was made to other oil majors.

Although the Shell affair now seems not much more than a storm in a tea-cup, Mr Howard may have achieved his purpose of signalling to large multinationals that Australia expects more participation in resources projects.

Half-year surge at HK Electric

BY OUR HONG KONG CORRESPONDENT

HONGKONG ELECTRIC Holdings, which supplies power to Hong Kong island, raised its first-half net profit by 52.7 per cent to HK$222.6m (U.S.$37m), from HK$145.8m in the six months to June 30, 1980. Turnover was up 54.9 per cent to HK$956.8m (U.S.$160m), from HK$617.7m.

The improvement follows a reorganisation which resulted in floating off a property vehicle in a joint venture with major property companies.

A higher dividend of 11 cents a share has been declared, compared with 6.2 cents, adjusted for last year's HK$785m rights issue and this year's two-for-five scrip issue.

Earnings per share for the interim period amounted to 19.8 cents from 13 cents, adjusted.

Mr Pete Williams, the chairman, said the directors are confident that the growth in earnings will be maintained throughout the current year and a final dividend of 18 cents a share on the increased capital, compared with last year's 18 cents, unadjusted, is forecast.

Hongkong Electric holds a 29 per cent interest in International City Holdings which gained a stock exchange listing earlier this year. When it was floated in May in a joint venture with Cheung Kong Holdings—headed by Mr Li Ka-Shing—and a number of leading property companies, International City's main assets were two prime sites purchased from Hongkong Electric. Residential units under construction on these sites have already been sold, although they have not yet been booked.

Hongkong Electric is expected to earn considerable profit from this venture when the developments are completed.

HK deposit-takers get together

BY KEVIN RAFFERTY IN HONG KONG

HONG KONG will soon have an Association of deposit-taking companies to represent the interests of one of the fastest growing and controversial sectors of the financial market. The first meeting of the new body will take place early next month and the organising committee expects membership to be between 250 to 300, which would mean that almost all the significant deposit-taking companies (DTCs) would be represented.

Separate places on the ruling executive committee will be reserved for locally incorporated DTCs and for those which are the offshoots of banks.

One of the problems of the DTCs is that they cover a wide area ranging from virtual merchant banks to local hire-purchase companies and concerns that are little more than pawnbrokers. In recent months their membership has grown rapidly to just over 340, but they have caused controversy because the big local banks claimed that DTCs were being used to bypass the interest rate agreement and to collect funds by offering higher rates.

Under new legislation the normal registered DTCs will be limited to taking deposits of maturity of three months or more, leaving the short-term market to banks. So as not to discourage international institutions, especially merchant banks, a new category of licensed DTCs is being created and these will be allowed to take short-term deposits provided that the initial sum is HK$500,000 (US$84,000) or more.

APPOINTMENTS

New chairman for Air Products

AIR PRODUCTS has appointed Mr Brian Street as chairman from October 1. He succeeds Mr Austin Walker, the retiring non-executive chairman. Mr Walker will continue as a director and consultant. Mr Street will also remain director public affairs Europe which he commenced at the same time as his appointment to deputy chairman of Air Products board in 1980.

★

Mr T. D. Oughton has been appointed managing director of FIRTH-VICKERS FOUNDRY. He has been managing director of Geo. Oxley and Sons, another JFB steel division company, since 1974.

★

Mr Peter King, currently research, planning and protein director of ICI agricultural division, becomes general secretary of the SOCIETY OF CHEMICAL INDUSTRY at the beginning of 1982. He succeeds Dr David Sharp, who is retiring.

★

Following a review of the management structure of PIRELLI'S tyre division, the following changes have been made. Mr R. F. Earl becomes sales and marketing director in addition to his duties as a director of the main board of Pirelli. Mr C. J. Atkinson has been appointed to a new position, controller—corporate planning, reporting directly to Mr J. D. Carr, Pirelli's managing director, and has also joined the group management committee. Mr A. D. Walsh is controller—tyre sales distribution and administration, Mr K. Mitchell replacement tyre sales manager UK, and Mr M. L. Wood marketing manager tyres.

Other organisation changes affecting the tyre trade are that Mr W. W. H. Fraser is now replacement tyre sales manager, north, and Mr J. A. Winstanley is replacement tyre sales manager, south. Mr D. P. M. Fogarty becomes resident manager, Republic of Ireland, M. I. A. V. Samuel is appointed divisional sales manager, home counties and Mr R. W. Anderson takes over the southern division.

★

Mr Ron Presley a senior partner of Edward Erdman, has been appointed honorary surveyor of the INCORPORATED SOCIETY OF VALUERS AND AUCTIONEERS.

★

Mr Peter Hadley, formerly industrial manager with Milton Keynes Development Corporation, has been appointed commercial development director with the LONDON DOCKLANDS DEVELOPMENT CORPORATION.

★

Mr Peter Jones now combines the office of chairman of TRUST SECURITIES HOLDINGS with that of chief executive. Mr Laurence Hill has resigned from the board to devote more time to his other company activities.

★

Bristol-based shiprepairers JEFFERIES (AVONMOUTH) has appointed Mr Alan Breeze as chairman. He is a member of the consortium which successfully bid for Charles Hill of Bristol in July and is now a director of that company.

★

The Trade Secretary has approved the appointment of Mr Peter Spira as a member of the board of the NATIONAL FILM FINANCE CORPORATION for a period of not more than three years from January 1. Mr Spira will succeed Lord Remnant whose present appointment, due to expire on September 30, is being extended by the Secretary of State to December 31. Mr Spira is group finance director of Sotheby Parke Bernet Group, vice-chairman of Sotheby's, and a non-executive director of S. G. Warburg and Co.

★

Mr John B. Marshall, chairman, Hill Samuel Life Assurance, and Mr Harry D. Waldron, director and general manager, General Accident Fire and Life Assurance Corporation, have been appointed directors of THE ENGLISH INSURANCE COMPANY.

★

Mr Harvey Gordon has been appointed managing director of REED TAYLOR MANAGEMENT CONSULTANTS. He was formerly with the Henley Centre for Forecasting, as was Mr C. W. Roxbee Cox, who joins him on the board. Mr R. J. Holland, who previously worked for the Central Electricity Generating Board, has also joined the board of Reed Taylor Management Consultants.

★

Mr J. E. D. Ware has been appointed financial director of MOBEN GROUP.

★

Mr David Gradel and Mr Robert Oxenburgh have become vice-presidents in the Europe, Middle East and Africa Territory of Los Angeles-based SECURITY PACIFIC NATIONAL BANK. Both are members of the corporate division in London.

★

ALLEN HARVEY AND ROSS states that Mr E. M. Waller, managing director, is to take early retirement on September 30. On October 1, Mr Peter Allocca will be joining the company as international representative.

★

Mr A. F. Fortescue has been appointed a director of C. T. BOWRING REINSURANCE.

★

Mr A. J. M. Smithson, finance director of Bar Productions (Bromsgrove), has been appointed company secretary of the four UK companies in the BAR PRODUCTIONS GROUP. He also manages the financial affairs of the company's French subsidiary, which is based in Paris.

★

W. GOODKIND AND SONS has appointed Mr Nicholas McMahon Turner as managing director.

Redemption Notice

Electricity Supply Commission

(South Africa)

10¼% Guaranteed Bonds Due 1983

NOTICE IS HEREBY GIVEN, pursuant to the Fiscal Agency Agreement dated as of October 15, 1975 under which the above described Bonds were issued, that Citibank, N.A., as Fiscal Agent, has selected for redemption on October 15, 1981 at $2,531,000 principal amount of said Bonds at the redemption price of 100% of the principal amount thereof, together with accrued interest to October 15, 1981. The serial numbers of the Bonds selected for redemption are as follows:

BOND NUMBERS

6	616	1150	3002	3978	7595	8849	9711	10107	10525	10928	11247	11631
8	621	1153	3006	3981	7597	8852	9713	10109	10527	10931	11250	11645
10	625	1156	3009	3986	7599	8854	9716	10112	10529	10936	11253	11647
13	628	1161	3012	3990	7612	8856	9718	10116	10532	10939	11255	11650
16	631	1164	3015	3992	7616	8858	9721	10119	10534	10942	11257	11652
18	633	1167	3019	3995	7618	8861	9725	10122	10538	10944	11261	11657
21	635	1169	3021	4000	7620	8863	9728	10125	10541	10947	11264	11661
23	637	1173	3024	4882	7622	8865	9730	10128	10545	10950	11266	11663
25	641	1178	3027	4884	7625	8867	9733	10131	10550	10952	11269	11667
28	644	1181	3031	4886	7628	8869	9735	10135	10554	10955	11274	11669
30	646	1184	3033	4888	7631	8872	9738	10138	10556	10957	11276	11671
32	648	1186	3035	4890	7633	8875	9740	10141	10562	10959	11280	11676
34	672	1188	3038	4895	7636	8878	9742	10143	10564	10961	11283	11679
37	674	1191	3042	4899	7638	8883	9744	10145	10567	10963	11286	11684
39	676	1200	3044	6502	7641	8884	9748	10147	10569	10967	11289	11689
44	678	1205	3046	6504	7643	8888	9753	10151	10574	10971	11293	11695
46	683	1210	3049	6507	7646	8891	9755	10153	10577	10973	11296	11698
51	685	1217	3054	6511	7648	8894	9757	10158	10579	10975	11299	11703
53	689	1220	3056	6513	7650	8896	9759	10161	10582	10979	11302	11714
58	691	1222	3059	6516	7654	8898	9761	10163	10584	10981	11306	11716
60	693	1225	3062	6519	7656	9003	9764	10165	10589	10984	11310	11725
62	715	1229	3067	6521	7658	9006	9766	10168	10592	10987	11313	11729
64	718	1231	3069	6525	7660	9008	9777	10171	10594	10989	11317	11732
66	720	1233	3071	6530	7663	9011	9780	10179	10596	10992	11320	11734
69	722	1235	3075	6532	7666	9014	9782	10181	10599	10994	11323	11741
73	725	1237	3078	6535	7668	9016	9785	10184	10604	11000	11326	11745
77	728	1241	3081	6537	7671	9019	9789	10188	10609	11003	11328	11748
79	733	1243	3085	6540	7673	9022	9792	10191	10612	11006	11330	11752
81	736	1247	3088	6542	7676	9025	9794	10193	10614	11008	11336	11756
84	738	1249	3091	6545	7679	9029	9796	10195	10619	11012	11340	11759
86	741	1300	3096	6547	7683	9031	9807	10197	10621	11014	11342	11779
91	744	1331	3100	6549	7902	9033	9810	10199	10623	11018	11345	11782
93	747	1333	3102	6552	7904	9036	9812	10203	10626	11021	11354	11785
96	749	1336	3105	6556	7906	9038	9817	10206	10629	11023	11357	11787
98	750	1339	3108	6558	7908	9041	9820	10208	10634	11026	11360	11791

On October 15, 1981 there will become due and payable upon each Bond selected for redemption the said redemption price, together with interest accrued to October 15, 1981, all as more fully provided in the Bond. Payment of the redemption price of the Bonds to be redeemed will be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment therein of public and private debts, upon presentation and surrender of said Bonds with all coupons appertaining thereto maturing after October 15, 1981, at the Municipal Processing Department, 16th Floor, Citibank, N.A., 20 Exchange Place, New York, N.Y. 10043. Payment of the Bonds (subject to applicable laws and regulations) will also be made at the offices of Citibank, N.A., in Amsterdam, Brussels, Frankfurt/Main, London, Paris, Luxembourg and at Kredietbank, S.A. Luxembourgeoise, Luxembourg, by check on a dollar account, or by a transfer to a dollar account maintained by the payee with a bank in New York City.

On and after October 15, 1981, the date fixed for redemption, interest on said Bonds will cease to accrue. Coupons maturing on or prior to October 15, 1981 should be detached from said Bonds and presented for payment in the usual manner.

For ELECTRICITY SUPPLY COMMISSION
CITIBANK, N.A.
as Fiscal Agent

September 16, 1981

WORLD STOCK MARKETS

Steadier early Wall St tone

BARGAIN HUNTING helped Wall Street to make a steadier showing in another fairly active early trade yesterday, following the sharp slide of the past few sessions on economic worries.

The Dow Jones Industrial Average, after a three-day fall of 21 points, was a marginal 0.09 firmer at 851.69 at 1 pm. The NYSE All Common Index was a slight 4 cents easier at $68.78, but with gains holding a slight lead over declines. Trading volume came to 30.76m shares, against Wednesday's 1 pm level of 31.06m.

Analysts said that while Wall Street generally is concerned about Federal Budget deficits and many other economic problems, some investors viewed the current situation as an opportunity to snap up bargains that were created by the market's slide to near its 1981 low.

Brokerage stocks were among the strongest, **Merrill Lynch** adding ⅞ at $33⅜ and **E. F. Hutton** 1¼ at $38⅜.

American Express, which owns Shearson, Loeb Rhoades, picked up ⅛ to $42⅞ on nearly 350,000 shares, making it one of the big board's most heavily-traded issues.

Dial gained 1¼ more to $45⅞ after jumping $20 on Wednesday. It has agreed to be acquired by **Northwest Bancorp**, which fell 1¼ to $25⅛.

Newmont Mining rose 1½ to $61, while **Envirotech** climbed $1 to $10. **Global Marine**, however, fell 1⅛ to $18⅞.

THE AMERICAN SE Market Value Index picked up 0.88 at 314.19 at 1 pm. Volume 2.53m shares (3.73m).

Delhi Oil, a firm feature in active trading, rose 1½ to $63⅞.

Canada

Markets in Canada put on a mixed performance at mid-day after falling sharply of late. The Toronto Composite Index recovered 5.1 to 1,998.2 at noon. Oil and Gas rallied 19.2 to 4,012.2 and Metals and Minerals 12.7 to 2,009.2, but Golds shed 57.7 to 3,829.3.

Closing prices for North America were not available for this edition.

Tokyo

Fresh overnight Wal Street weaknes sent the Tokyo market mostly lower in early trading, but selective Blue Chips rebounded in the afternoon to register some good net gains, pulling a number of other stocks up with them.

The Nikkei-Dow Jones Average, *down 36.49 on Wednesday*, was finally 32.94 firmer yesterday at 7,539.27. The Tokyo SE index recouped 2.48 at 567.03, although declines still outscored advances at the close by 326 to 225 on the First Farket. Also, turnover remained thin, amounting to 200m shares (180m).

Bankers said the sudden upturn in Blue Chips during the afternoon came at the market buzzed with romours that the Joseph Granville newsletter service in the U.S. was advising clinets to buy Japanese Blue Chips in New York.

Apparently as the result of the rumours, according to brokers such Blue Chips traded in New York as **Sony** and **Matsushita Electric Industrial** advanced, taking up some other Lght Electricals like Sanyo and Victor. Advanced Technology issues, Precision Instruments, Pharmaceuticals and Machine Tools also provided firm features.

Matsushita Electric rose Y50 to Y1,490, **Victor** Y150 to Y3,650, **Canon** Y60 to Y1,480, **Fuji Photo** Y60 to Y1,500, **Hitachi** Y23 to Y770, **Takeda Pharmaceutical** Y12 to Y895, **Ricoh** Y35 to Y855, **Nippon Electric** Y40 to Y749, **Sumitomo Electric** Y28 to Y548 and **Fujitsu** Y44 to Y764.

Hong Kong

The recent rallying trend was abruptly halted yesterday, stocks generally falling sharply with both small and institutional inestors said to be unloading shas. The Hang Seng index, aftr a two-day recovery of 29 poits, dipped 60.30 to 1,502.79.

Trnover on the four stock exchnges totalled HK$426.03m, compred with the HK$279.82m recoded in the short Wednesday sessin.

Mainly triggering the selling, according to analysts, were rumours of two large rights issues, one by **Sun Hung Kai Properies** for HK$350m and another by **Hang Lung Development** for more than HK$500m. A broker commented that both are quality companies, and that normally the news would not have caused such a sharp reaction. "In this environment, it does not take much for the floor to drop," he added.

The further overnight slide on Wall Street was another depressant and brokers predicted that if Thursday proved to be another bad day for U.S. stocks, Hong Kong shares would probably drop again today.

Hong Kong Hotels, following a strong speculative advance about three weeks ago, fell HK$[illegible]50 to HK$60.50, for a loss of HK$9.50 since Friday, after announcing that it had bought the [illegible]erlin Hotel, Kowloon, for HK$[illegible]5m.

Sun Hung Kai Properties retreated 60 cents to HK$14.40, **Jardine Matheson** HK$1.00 to HK$1[illegible]20, **HK Land** 35 cents to HK$9[illegible] and **Cheung Kong** HK$1[illegible] to HK$27.30.

HK Electric shed 20 cents to HK$5[illegible] despite a sharp rise in interim dividend and profits.

Germany

Bourse prices closed on a mixed note after quiet two-way trading.

Banks provided a bright sector, responding to a fresh rise in the Domestic Bond market. **Deutsche Bank** put on DM 2.2[illegible] and **Commerzbank** DM 1.30.

In Engineerings, **MAN**, which said a consortium of which it is a member received a letter of intent for a large South African contract, rose DM 3 to DM 210.

On the Domestic Bond market, Public Authority Loans registered further advances ranging to 60 pfennigs. The Bundesbank sold DM 48.7m of paper to meet market demand and even out yields, after sales of DM 59.6m the previous day.

Australia

With Wall Street's further overnight fall on economic worries weighing down Australian markets, shares mainly reverted to a downward course yesterday after the recent better showing.

The Australian All Ordinaries index declined 8.0 to 610.1, Metals and Minerals 9.8 to 511.6 and Oil and Gas 24.2 to 647.0.

Market leader **BHP** shed 25 cents to A$11.95 despite announcing liquid hydrocarbons had been encountered in the Bream 4A well in the Bass Strait.

Canning Basin oil discoverer **Western Mining** receded 24 cents to A$5.10 despite speculation that testing of the Acacia No. 1 well could begin soon.

Vamgas lost 30 cents to A$10.30, **Bridge Oil** 30 cents to A$5.00, **Beach Petroleum** 23 cents to A$2.12 and **Woodside Petroleum** 6 cents to A$1.38.

Against the downtrend in Minings, however, **Peko-Wallsend** climbed 20 cents more to A$7.00 on heavy turnover. The stock is considered ripe for takeover because of financial difficulties at its Tennant Creek Smelter.

Gold shares declined afresh on the lower Bullion price. **GMK** slipped 40 cents to A$8.00, **Consolidated Gold** 30 cents to A$8.00, **Kitchener** 30 cents to A$3.20 and **Poseidon** 25 cents to A$4.05.

Johannesburg

Gold shares hardened in quiet trading with the Bullion price. Mining Financials were also firmer, with **Gold Fields** advancing R2.25 to R103.75 following annual reports from the group's gold-mining companies.

Indices

NEW YORK —DOW JONES

	Sept. 16	Sept. 15	Sept. 14	Sept. 11	Sept. 10	Sept. 9	1981 High	1981 Low	Since Cm'pil't. High	Since Cm'pil't. Low
♦Indu str'ls	851.60	858.55	866.15	872.81	862.44	855.88	1024.05 (27/4)	851.12 (8/8)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me Bnds.	57.49	57.51	57.58	57.41	57.28	57.28	65.78 (15/1)	57.09 (4/9)	—	—
Transport.	353.55	355.81	357.60	358.40	357.27	355.88	447.58 (16/4)	551.65 (8/9)	447.38 (16/4/81)	12.23 (8/7/32)
Utilities	106.26	108.57	106.78	107.27	105.77	104.80	117.81 (5/1)	103.99 (5/5)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000-†	45,960	38,580	34 400	42,170	47,500	44,290	—	—	—	—

♦Day's high 856.46 low 845.99.

Ind. div. yield %	Sept. 11	Sept. 4	Aug. 28	Year ago (approx)
	6.35	6.44	6.20	5.74

STANDARD AND POORS

	Sept. 16	Sept. 15	Sept. 14	Sept. 11	Sept. 10	Sept. 9	1981 High	1981 Low	Since Cmpil't'n High	Since Cmpil't'n Low
Indust'ls	153.44	154.49	155.66	156.73	155.15	153.19	157.02 (9/1)	152.71 (8/9)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	118.87	119.77	120.66	121.61	120.14	118.48	138.12 (6/1)	117.98 (8/9)	140.52 (28/11/80)	4.40 (1/6/32)

	Sept. 9	Sept. 2	Aug. 26	Year ago (approx
Ind. div. yield %	5.36	5.14	5.07	4.69
Ind. P/E Ratio	8.13	8.82	8.94	8.62
Long Gov. Bond yield	14.53	14.36	14.25	11.03

NY. S.E. ALL COMMON

Sept. 16	Sept. 15	Sept. 14	Sept. 11	1981 High	1981 Low
68.82	69.34	69.79	70.32	79.14 (5/1)	68.24 (8/9)

Rises and Falls

	Sept. 16	Sept. 15	Sept. 14
Issues Traded	1,890	1,891	1,898
Rises	409	615	584
Falls	1,100	837	944
Unchanged	381	439	370
New Highs	9	6	4
New Lows	140	78	77

MONTREAL

	Sept. 16	Sept. 15	Sept. 14	Sept. 11	1981 High	1981 Low
Industrials	339.87	347.10	355.91	360.56	409.56 (27/5)	339.87 (16/9)
Combined	316.93	325.11	330.00	333.21	375.28 (15/8)	316.93 (16/9)
TORONTO Composite	1983.1	2050.2	2075.4	2090.9	2578.8 (10/4)	1983.1 (16/9)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Sears Roebuck	648,800	16⅛	−⅛	Amfac	530,900	20½	−⅛
Sterling Drug	553,600	19⅝	+⅛	M-A Comm.	530,700	23⅛	−⅞
Polaroid	547,500	24⅞	−1⅞	Storage Tech.	518,400	32⅛	+⅛
Sony	538,800	17½	−⅛	Southl'd Royalty	474,900	36	+2
Exxon	532,800	31⅞	—	Int. Tel. & Tel.	462,700	28⅛	+⅛

	Sept. 17	Sept. 16	Sept. 15	Sept. 14	1981 High	1981 Low
AUSTRALIA						
All Ord. (1/1/80)	610.1	618.1	618.1	611.9	757.3 (9/4)	598.5 (10/9)
Metal & Minrls (1/1/80)	511.6	521.4	516.7	511.1	755.2 (7/1)	493.3 (10/9)
AUSTRIA						
Credit Aktien (2/1/62)	54.84	54.86	55.15	55.48	68.43 (5/1)	54.0 (21/8)
BELGIUM						
Belgian SE (31/12/63)	72.55	75.07	75.12	72.61	86.16 (17/2)	65.53 (16/6)
DENMARK						
Copenhagen SE (1/1/73)	112.68	112.52	112.31	112.50	118.00 (25/6)	95.88 (2/1)
FRANCE						
CAC General (29/12/61)	94.9	96.2	98.1	96.6	112.5 (17/6)	77.5 (15/6)
Ind Tendance (31/12/80)	104.9	104.0	105.5	106.0	108.5 (10/6)	78.2 (12/6)
GERMANY						
FAZ-Aktien (31 12/58)	252.72	252.70	252.97	251.84	245.47 (5/7)	216.88 (9/2)
Commerzbank(Dec1953)	711.8	713.1	712.8	709.7	749.0 (5/7)	656.4 (16/2)
HOLLAND						
ANP-CBS General (1970)	87.9	88.3	88.3	90.2	96.8 (20.8)	85.7 (2/1)
ANP-CBS Indust (1970)	68.4	69.0	68.8	70.2	76.4 (22/6)	62.8 (2/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1502.79	1563.09	1554.92	(c)	1810.20 (17/7)	1295.44 (11/5)
ITALY						
Banca Comm Ital (1972)	196.84	198.36	192.50	193.88	282.05 (5/6)	165.44 (24/7)
Japan						
Dow Average (16/5/49)	7569.27	7506.33	(c)	7542.82	8019.14 (17/8)	6956.62 (13/6)
Tokyo New SE (4/1/68)	567.03	564.55	(c)	565.40	605.92 (17/8)	495.79 (5/1)
NORWAY						
Oslow SE (1/1/72)	154.79	135.76	137.67	138.32	145.72 (6/8)	110.34 (5/6)
SINGAPORE						
Straits Times (1966)	668.22	656.63	658.60	625.78	873.28 (26/8)	615.26 (1/9)
SOUTH AFRICA						
Gold 1958)	(u)	708.2	716.8	719.8	787.6 (7/1)	475.6 (5/7)
Industrial (1958)	(u)	679.6	679.4	680.1	698.1 (14/9)	567.2 (5/2)
SPAIN						
Madrid SE (30/12/80)	142.19	141.97	141.72	(c)	146.15 (8/9)	108.46 (2/1)
SWEDEN						
Jacobson & P. (1/1/58)	568.87	558.20	566.24	582.19	680.31 (10/6)	484.17 (28/1)
SWITZERLAND						
SwissBankCpn. (31 12/58)	264.5	265.1	265.7	(c)	344.2 (2/4)	262.8 (8/9)
WORLD						
Capital Intl. (1/1/70)	—	142.9	143.2	143.4	162.8 (8/9)	142.0 (9/9)

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

COMMODITIES AND AGRICULTURE

India calls more tea pact talks

NEW DELHI—Senior officials from India, Sri Lanka and Kenya will meet in Nairobi in an attempt to reach agreement on measures to stabilise tea prices on the international market, according to the Indian Commerce Ministry.

The meeting, likely to be held this month or early October, will aim at an informal understanding on tea quotas and an auction system to stabilise tea prices on the world market.

India has so far failed to secure international accord on a pact to establish a balance between demand and supply so that tea exports obtain adequate prices.

Tea prices have slumped because China and other new tea producers have started exporting a large quantity of low-priced but inferior quality tea, which risked pricing high quality tea out of the world market, the Ministry said.

● World tea production this year is forecast at a record 1.85m tonnes, up slightly from the 1980 harvest of 1.83m tonnes, according to the U.S. Agriculture Department. Reuter

New farm loans to cost more

THE AGRICULTURAL mortgage corporation said yesterday that because of the increase in bank base rates, it has become necessary for AMC to increase its lending rates of interest for new loans from today.

The rates charged will be 17½ per cent for fixed rate of interest loans and 16½ per cent for variable rate.

The lending rate of interest for all existing variable rate loans remains at 14¼ per cent until the next review date on December 1, while existing fixed rate loans are unaffected.

Argentina sells wheat to China

BUENOS AIRES — Argentina has agreed to sell China 200,000 tonnes of old crop wheat for shipment during November and December.

A medium term agreement signed last year under which China was to have taken between 1m and 1.5m tonnes of Argentine grains and oilseeds annually from 1981 to 1984 was also discussed.

Silver stockpile sales hit market

BY JOHN EDWARDS, COMMODITIES EDITOR

SILVER prices dropped in late trading yesterday following a report from Washington that the U.S. strategic stockpile planned to offer 1.25m ounces of surplus silver a week for sale, starting soon after October 1.

In New York silver futures immediately dropped the permissible limit down of 50 cents a troy ounce and in London the bullion market spot price fell to 586p at the close compared with 596.15p at the morning fixing. In late trading on the London Metal Exchange silver lost further ground following the downtrend in New York.

Traders were somewhat surprised at the market reaction since it has been known for some time that the stockpile would start selling surplus silver soon, although it was thought the total offered would be nearer 1m ounces weekly.

In July legislation was approved in Congress authorising the sale of 46.5m ounces of stockpile silver in the 1982 fiscal year, which began on October 1. A further 44.68m ozs and 13.9m ozs were approved for sale in the subsequent two fiscal years, but a provision of the legislation is that the amounts are fixed for each year and cannot be carried over. So if the total 44.68m ozs is not sold in the first 12 months, the balance will be returned to the stockpile.

Mr John Babey, acting deputy assistant commissioner of the General Services Administration, which handles stockpile sales, was quoted as saying the offerings would be made with competitive sealed bids. However it is believed that consultations may first be held with silver producing countries — Peru, Mexico and Canada — who claim the sales will depress prices.

Base metal prices were generally lower again on the London Metal Exchange yesterday depressed by the further rise in the value of sterling. Lead and zinc were particularly hit by speculative selling.

Tin values were held up, however, by heavy buying by influential dealers who were reported as purchasing some 2,000 tonnes

Confusion in aluminium markets

BY ROY HODSON

CONFLICTING actions by international aluminium producers during the last few days indicate the high level of stress being felt within the industry after months of slack demand for the metal and a build-up of unsold stocks to more than 2.5m tonnes in producers' warehouses.

Alcan sees signs that worst of the recession has passed in the European raw material market. The group has been taking orders for aluminium ingot this month at prices up to £50 a tonne above the prices realised in August. Alcan has this week opened a new C$500m smelter at Grande Baie, Quebec, which will significantly increase its production capacity.

Two other producers, however, Pechiney of France, and Reynolds Metals of the U.S. are cutting back metal production because of slack demand and high stocks.

Pechiney is reducing output at its St. Jean de Maurienne plant in Savoy by 14,000 tonnes a year for an unlimited period. Smelters that have been stopped stopped this summer for routine repairs will not be restarted. The company said last night the action was because of the poor economic climate

Reynolds is temporarily suspending production of 50,000 annual tonnes of smelter potline capacity at its Jones Mills, Arkansas plant. Reynolds will be operating at 78 per cent of its North American metal production capacity this autumn. Pechiney says it will still operate in France at 93 per cent of capacity in spite of its temporary cuts.

Alcan in Britain has secured higher metal prices this month because of an upturn in demand for ingot metal for rolling into sheet and plate. VAW, the West German producer, is also sufficiently confident of some market improvement to have just raised its prices for rolled aluminium products by 4 per cent quoted in DM.

The new European Aluminium Association (EAA) which formally comes into being next year is to take the initiative to encourage more recycling of the metal. So far Europe has lagged behind the U.S. in the recovery and recycling of used aluminium. The economics of recovery are attractive because the recycling process uses only 5 per cent of the energy required to make a comparable quantity of virgin aluminium.

U.S. attacks EEC poultry subsidy

BY NANCY DUNNE IN WASHINGTON

CALLING THE EEC poultry export subsidy policy "a continuation of the old chicken war," U.S. Senator Bill Roth, chairman of the trade subcommittee, joined the American Poultry Trade Association yesterday in an effort to convince the U.S. trade representative to join the controversey.

The group then sent a petition to the trade representative's office seeking relief from what is seen here as unfair and unjust export subsidies granted by the EEC and France to poultry meat exporters. The petition alleges that the subsidies are violation of Gatt and the subsidies code aprpoved at the Tokyo Round of the multilateral trade negotiations.

The trade representative has 45 days to accept or reject the petition. If it is accepted, the office will file a protest with Gatt, asking for a ruling from a special panel. If the U.S. wins its point, the subsidy policy must be removed. If no action is taken, the President of the U.S. may retaliate. In the previous chicken war, the U.S. retaliated by raising duties on several EEC products exports here.

Congressman Edgar Jenkins, a member of the house committee on trade, said the EEC export subsidy has distorted worldwide trade patterns.

Without the EEC granting export subsidies to its producers it would be impossible for them to compete in world markets," he said. "With the subsidy, the EEC effort is leading to the elimination of American exports of poultry.

The poultry group said total subsidies have grown enormously over the years to over $100m on poultry meat last year. France was singled out for explicit criticism for offering a variety of indirect subsidies like capital grants.

Coffee talks to be extended

By Our Commodities Staff

THE LONDON talks between coffee producers and consumers on the terms of next season's International Coffee Agreement are to be extended until next week, it was learned yesterday. Although the meeting was originally scheduled to last only two weeks and, therefore, end today, it was thought almost inevitable they would be continued for a longer period in view of the many problems to be solved.

So far, little progress has been made on the key issues of the allocation of export quotas and the "trigger" price levels. The meeting has now broken up into so-called contact groups, made up of a few selected countries to enable more detailed discussions to be held.

Meanwhile coffee prices rose strongly on the London Robusta futures market yesterday, effectively wiping out Wednesday's losses. The November position closed £35 up at £994.5 a tonne and in New York the market was the permissible limit up in early trading.

The up trend was attributed to more optimism about the possible result of the London talks following news that the EEC had agreed a common position to propose that first quarter quotas should start at 13m bags (of 60 kilos each). This quota would then be subject to a 1m bag increase according to price movements. The object would be to provide an incentive for prices to rise from the present level of 103 cents to between 120 and 140 cents.

FARMER'S VIEWPOINT

Aggro over chemicals

THE AGRICULTURAL war with France is never-ending. First, there was the lamb war, then the apple war, the present poultry war and now a chemical skirmish.

In this last, the situation is rather different. Instead of British farmers blocking the ports and appealing for help to the Minister of Agriculture, they are importing agrochemicals from France by the land rover and lorry load.

The objectors this time are the British distributors of agrochemicals and their parent manufacturers. They are doing their best to dissuade farmers from buying these foreign goods, although many of them come from the same original stable. On why the import trade has become worthwhile, they are remarkably uninformative.

The fact is that many comparable agro-chemicals are much cheaper in France than they are in Britain. A quotation for similar chemicals I secured from a French trader this week showed some of them roughly 25 per cent cheaper bought in the Paris region. To this would be added the cost of getting them to the UK. But because of their high value, low volume and weight, this would not be too high.

What has alarmed the UK distributors, who were keeping the matter very much under wraps, has been the fact that certain farmers and others have been importing the chemicals for re-sale. Two or three lorry-loads of these in an area could made a very big difference to the prosperity of established companies. So, the distributors and the Agrochemical Association have been defending their positions as best they can.

On the vital question as to why certain materials were so much cheaper in France, there has been no clear answer. An obvious one would be the relative strength of the pound, as against the Franc. But this would at best be around 10 per cent.

One industry spokesman has been reported as saying that the differential pricing between countries was simply the application of that well-known commercial precept "charging what the market will bear."

The co-operatives in France enjoy favoured fiscal and other support from the Government on a scale denied to the private sector. It is also probable that the profit margins in French farming—particularly in the arable sector, the main users of these materials—are lower than they have been in Britain for the last couple of years.

The British trade in agrochemicals has been subject to quite heavy discounting in recent years. But, as a farmer myself, I am always very suspicious of what are called manufacturers' recommended prices.

In some cases the formulations of the chemicals offered in France and Britain differ in some degree as to their trade names, the industry points out. This is probably true, but the formulations on the label are in common chemical terms.

Then there is the question of language. The labels are certainly French, and it is claimed that there could be a danger that farmers, or their employees, could use the chemicals wrongly through not being able to understand the instructions. There is certainly a risk of this, particularly in the case of materials imported and resold through a number of ad hoc imported companies. There is nothing, of course, to stop an importer who wishes to resell the material purchased, having the labels translated, and sticking fresh ones on the containers.

There is a legal obligation for those who sell chemicals and pesticides in England to have the labels in English, and in particular that the risks involved in their use and the ways of avoiding them should be clearly set out.

This safety aspect is bothering both the Ministry of Agriculture and the National Farmers' Union. Neither, it is believed, wishes to deny farmers an opportunity of reducing their costs by importing essential chemicals at less than the cost of them in this country. But any word of direct approval would be highly embarrassing, should there be an accident or the material wrongly used. In this connection, there is no firm guarantee of the efficacy of materials bought in Britain from a manufacturer's agent. But, should a claim arise, it would most probably be met or substantiated.

So far, the NFU has merely advised members to check their understanding of the labels and formulations, and their liability under the Health and Safety Act. But as someone in the industry pointed out to me, the simplest way to solve the whole problem would be for the British agrochemical industry to align its prices to those of similar products in France. That would kill the traffic stone dead.

John Cherrington

Europe's farm policy defended

BY PATRICIA NEWBY IN CANBERRA

AN "ACTIVE export policy" in the EEC was not synonymous with an irresponsible export policy, Mr Kaj Barlebo-Larsen the head of the EEC Commission in Australia, told a meeting of the Cattle Council of Australia in Melbourne yesterday.

Mr Barlebo-Larsen was replying to criticisms from Australian agricultural producers that expanding exports of heavily subsidised farm products from the EEC were destabilising world markets and eroding trade for countries such as Australia.

Mr Barlebo-Larsen refuted claims that the EEC was closed to agricultural imports through highly protectionist policies and said that agricultural expenditure under the Common Agricultural policy represented less than 1 per cent of the gross domestic product of the EEC.

Taken as a whole, he said, the achievements of the CAP were positive, with the primary objective being security for food supplies.

The Cattle Council of Australia, which represents around 50,000 beef producers in Australia, has expressed growing concern at rising EEC beef exports.

● Representatives of Argentina, Australia, New Zealand and Uruguay will meet in Montevideo in the first half of December to seek a joint approach to common beef export problems, including competition from EEC countries, reports Reuter.

BRITISH COMMODITY MARKETS

BASE METALS

BASE-METAL PRICES lost further ground on the London Metal Exchange owing to the renewed strength of sterling. Copper, initially firm on trade buying, fell sharply, in line with Comex, and touched £977 before closing at £979.5. Lead was heavily sold and closed at £422, after £416. Zinc touched £520 and finished at £522. Aluminium was finally £670.5 and Nickel £3,130. Tin was heavily supported at £8,250 and closed at £8,295.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	954-.5	—1.5	947-8	—7.25
ф 3 mths	988.5-9	......	982.5-3	—4.5
Settlem't	954.5	—1.5	—	......
Cathodes				
Cash	953-4	......	941-2	—10.5
3 months	983.5-4	+1	971-3	—9.25
Settlem't	954	......		
S. Prod	—		*82.7-6.5	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £954, three months £986, 87, 87.5, 88, 87.5, 89, 88, 87.5, 88, 88.5, 89. Cathodes, cash £954, 53, three months £983, 84. Kerb Wirebars, three months £990, 89.5, 90, 91, 92. Afternoon: Wirebars, three months £989, 88.5, 89, 84, 83. Cathodes, cash £944, 42. Kerb: Wirebars, three months £977, 78, 79, 78, 78.5, 79, 80, 81, 80. Turnover: 28,800 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	8220-30	—50	8230-40	—10
3 months	8255-60	+2.5	8260-70	+12.5
Settlem't	8230	—50	—	......
Standard				
Cash	8220-30	—50	8230-40	—10
3 months	8255-60	+2.5	8260-70	+12.5
Settlem't	8230	—50	—	......
Straits E.	$535.31	—0.85	—	......
New York	—	......		

Tin—Morning: Standard, cash £8,225, three months £8,255, 50, 55. Kerb: Standard, three months £8,255, 50. Afternoon: Standard, three months £8,230, 51, 55, 50, 51, 52, 55, 60. Kerb: Standard, three months £8,260, 70, 80, 90, 95, 90. Turnover: 3,295 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	415-.5	—17	403-4	—15.5
3 months	425-.5	—18	416-7	—14
Settlem't	413.5	—17	—	......
U.S. Spot	—	......	*40-4	......

Lead—Morning: Cash £411.5, 12.5, 13, three months £425, 26, 27, 28, 27, 26.5, 27, 28, 25.5, 25, 24, 24.5, 25, 25, 25.5. Kerb: Three months £425, 25.5, 27, 26, 25. Afternoon: Three months £423, 22, 23, 24, 23, 22, 21, 20.5, 20, 20.5, 21, 20, 19, 18, 17, 16. Kerb: Three months £416, 15, 20, 21, 20.5, 22. Turnover: 24,150 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	511-2	—19.2	506-8	—8.5
3 months	528.5-9	—9	525-6	—7
Settlement	512	—10	—	......
Srmw'ts	—	—	*49.75-50	......

Zinc—Morning: Three months £531, 32, 31, 30, 29, 27, 28, 25, 25.5, 26, 26.5, 27, 28, 28.5, 29. Kerb: Three months £529. Afternoon: Three months £528, 27.5, 27, 26, 23, 22, 21, 23, 24, 21, 23, 24, 25, 26, 25, 25.5, 25. Kerb: Three months £523, 24, 25, 24, 23, 24. Turnover: 18,025 tonnes.

Aluminm	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Spot	641.5-2	—.75	642.5-3.5	+1.5
3 months	668-9	—1	669.5-70	+2.5

Aluminium — Morning: Cash £642, 41.5, three months £669, 70, 69.5, 70, 69, 68.5, 70, 69, 68.5. Kerb: Three months £670, 69. Afternoon: Three months £671, 70.5, 70, 71, 70. Kerb: Three months £670. Turnover: 9,500 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —
Spot	3030-40	—10	3020-30	—25
3 months	3120-5	—10	3115-20	—20

Nickel — Morning: Three months £3,130, 25. Kerb: Three months £3,120. Afternoon: Three months £3,120, 30, 15, 12, 15. Kerb: Three months £3,120, 25. Turnover: 474.

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close. ф High grade cathodes deliverable from Sept 1.

SILVER

Silver was fixed 5.4p an ounce higher for spot delivery in the London bullion market yesterday at 596.15p. U.S. equivalents of the fixing levels were: spot $11.05, up 14.5c; three-month $11.503, up 15.5c; six-month $12.01, up 18.8c; and 12-month $13.003, up 18.7c. The metal opened at 591¼-597¼p ($10.95-11.05) and closed at 583½-588½p ($10.75-10.85).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	596.15p	+5.4	583.00p	—27.0
3 months	616.35p	+5.5	583.00p	—27.2
6 months	638.85p	+7.1	—	......
12 months	684.00p	+7.6	—	......

LME—Turnover: 244 (153) lots of 10,000 ozs. Morning: Three months 614, 16, 17, 17.5, 17, 16, 16.5, 16, 18, 17.5. Kerb: Three months 617.5, 17. Afternoon: Three months 618, 17, 585, 80, 83, 85, 82, 83, 85, 86, 88, 92, 91, 90, 87, 88, 84. Kerb: Three months 590, 96, 95, 96, 95, 90.

COCOA

Futures remained quietly steady throughout a featureless day and traded within a narrow range. Physical business continued to be scarce, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ or —	Business Done
Sept	1230 40	—	1238-35
Dec	1281-82	+7.0	1283-72
March	1300-01	+4.0	1301-291
May	1311-12	+4.5	1313-03
July	1319-22	+5.0	1320-12
Sept	1327-28	+3.0	1326-20
Dec	1336-44	+9.0	1338-28

Sales: 1,869 (2,758) lots of 10 tonnes.

ICCO—Daily price for Sept 16: 106.46 (107.90): Indicator prices for Sept 17: 106.41 (106.10).

COFFEE

Talk of constructive developments at the ICO meeting instigated a nervous rally after robustas had opened lower, reports Drexel Burnham Lambert. A steady New York opening fuelled a further mid-afternoon rise.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
Sept	967-69	+29.5	970-30
Nov	994-95	+35.0	995-50
Jan	1004-05	+38.0	1005-63
March	1017-19	+44.5	1019-71
May	1023-28	+42.0	1010-05
July	1028-40	+43.0	1020-15
Sept	1040-50	+46.5	1030

Sales: 3,485 (3,734) lots of 5 tonnes.

ICO Indicator prices for Sept 16: (U.S. cents per pound) Comp. Daily 105.78 (106.88); 20-day average 103.49 (103.68).

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Oct 395, 400, nil; Dec 397, 401, nil; Jan 399, 405, 402; March 409, 412, 412-411; May 419, 421, 420; Aug 434, 438, 437; Oct 434, 438, nil; Dec 437, 439, 439; Jan 437, 440, 438; March 443, 448, 444. Sales: 23.

SYDNEY GREASY WOOL—Close (in order: Buyer, seller, business). Australian cents per kilo. Oct 495.0, 495.5, 496.0-495.0; Dec 506.0, 506.5, 507.0-506.0; March 517.1, 518.0, 519.0-518.5; May 528.5, 529.0, 530.5-529.0; July 533.5, 534.0, 535.0-534.0; Oct 531.0, 532.0, 532.2; Dec 535.0, 535.5, 535.5-534.0; March 540.0, 541.0, 541.0. Sales: 138.

GAS OIL FUTURES

Prices moved lower reflecting the continued weakness in the physical market. The weaker dollar failed to discourage sellers and the market closed at the lows, reports Premier Man.

Month	Yesterdys close	+ or —	Business Done
	$ U.S. per tonne		
September	300.00	—0.50	301.00-00.00
October	303.25	—0.50	304.50-03.00
November	306.00	—1.25	307.25-06.00
December	308.75	—1.00	310.00-08.50
January	311.50	—0.50	311.50-11.25
February	315.00	—	315.00
March	316.50	—0.75	—
April	319.25	—0.50	—
May	321.00	—	321.00

Turnover: 473 (638) lots of 100 tonnes.

GRAINS

Grains opened slightly lower on wheat, unchanged on barley. Shipper and commercial interest was seen on the Jan-May spread on barley. Nov and Jan wheat selling pressure saw values decline to the lows of the day. Barley initially held despite collapse on wheat, but then drifted lower on back of wheat, Acli reports.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterday close	+ or —
Sep	106.10	—0.70	99.75	—0.25
Nov	107.65	—0.75	101.70	—0.50
Jan	111.65	—0.75	105.40	—0.55
Mar	115.20	—0.75	108.85	—0.50
May	118.85	—0.75	112.30	—0.45
July	122.50	—0.65	—	—

Business done—Wheat: Sept 106.70-106.20, Nov 108.95-107.90, Jan 112.25-111.65, March 115.60-115.20, May 119.50-118.85, July 122.60-122.25. Sales: 255 lots of 100 tonnes. Barley: Sept 100.10-99.90, Nov 102.10-101.70, Jan 105.95-105.40, March 109.20-108.85, May 112.85-112.30. Sales: 249 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 2 14 per cent Oct 111.80, Mid-Oct-Mid-Nov 112.75, Nov 114, Mid-Nov-Mid-Dec 114.65, Dec 117.20 transhipment East Coast sellers: English Feed fob Sept 110 paid East Coast. Maize: French Oct 126.75 transhipment East Coast. Barley: English Feed fob Sept 103.50 East Coast Scotland, Nov-Dec 107.25 East Coast sellers, Oct 105.50 paid East Coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Other milling wheat: S. East 107.00, S. West 108.00, W. Midlands 107.00, N. West 106.70. Feed barley: S. East, S. West, W. Midlands 98.00, N. West 98.00. The UK Monetary Coefficient for the week beginning Monday September 21 is expected to change to 0.959.

RUBBER

The London physical market opened easier, and with little interest throughout the day, and closed quiet. Lewis and Peat report a fob price for No. 1 RSS in Kuala Lumpur of 251.5 (252.5) cents a kg and SMR 20 198.0 (200.0).

No. 1 R.S.S.	Yest'r'ys close	Previous close	Business Done
Oct	55.80-56.80	56.50-57.00	—
Nov	56.60-56.80	57.40-57.70	—
Oct-Dec	56.60-56.70	57.20-57.40	56.70-56.30
Jan-Mar	59.40-59.50	60.10-60.30	60.40-58.80
Apl-Jne	62.50-62.60	63.30-63.40	62.80-62.00
Jly-Sept	65.70-65.80	66.50-66.60	66.50-65.10
Oct-Dec	68.80-69.00	69.60-69.90	69.00-68.90
Jan-Mar	72.20-72.30	73.00-73.10	72.50-71.90
Apl-Jne	75.50-75.40	76.10-76.20	75.50-75.30

Sales: 603 (307) lots of 15 tonnes: nil (1) lots of 5 tonnes. Physical closing prices (buyers) were: Spot 56.25p (56.50p); Oct 53.75p (54.50p); Nov 54.75p (55.50p).

SOYABEAN MEAL

The market opened 5p lower on stronger sterling, reports T. G. Roddick. Prices firmed on light trade buying.

	Yesterdys Close	+ or —	Business Done
	£ per tonne		
October	138.00-39.5	+1.75	139.00-37.50
December	138.50-38.6	+1.00	138.60-38.00
February	139.00-39.2	+0.35	138.80-37.90
April	141.50-42.0	+1.25	--
June	142.00-43.5	+0.50	142.00
August	142.00-47.0	+0.75	—
October	143.00-49.0	+1.00	—

Sales: 83 (20) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE — Raw Sugar £154.00 (£161.00) a tonne cif Sept-Oct-Nov shipments. White sugar daily price £158.00 (£165.00).

Prices were contained within a narrow range except for October which was under continual long liquidation, reports C. Czarnikow.

No. 4 Contract	Yest'rdy's close	Previous close	Business done
	£ per tonne		
Oct	148.80-48.40	155.25-55.50	158.00-48.00
Jan	156.00-56.75	160.00-60.50	160.00-56.00
March	159.75-67.00	169.00-69.20	169.25-65.00
May	170.50-70.75	173.10-75.50	175.25-69.50
Aug	174.00-75.00	177.00-77.50	176.00-74.50
Oct	177.00-77.50	180.10-80.50	178.50-76.00
Jan	177.50-80.00	180.00-81.00	—

Sales: 7,353 (11,080) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis white sugar was £360.4 (same) a tonne fob for home trade and £259.0 (£257.5) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean ports. Prices for Sept 16: Daily price 11.30 * (11.78): 15-day average 11.73 (11.84).

COTTON

LIVERPOOL—Spot and shipment sales amounted to 193 tonnes. Renewed pressure for supplies brought a favourable offtake. Additional support was forthcoming in African qualities, with occasional interest in North and South American.

POTATOES

LONDON POTATO FUTURES — All positions lost the previous gains in early selling, but April again stuck around £110 for most of day before closing lower, reports Coley and Harper. Closing prices: Nov 76.30, —1.70 (high 77.00, low 76.00); Feb 93.20, —2.70 (high 95.00, low 93.10): April 109.50, —2.50 (high 111.00, low 109.40). Turnover 408 (366) lots of 40 tonnes.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 74.5 to 78.0; Eire hindquarters 94.0 to 95.5, forequarters 53.5 to 55.0. Veal: Dutch hinds and ends 126.0 to 130.0. Lamb: English small 64.0 to 68.0, medium 62.0 to 67.0. Imported frozen: New Zealand PL 62.0 to 63.0, PM 61.0 to 62.0. Pork: English, under 100 lb 40.5 to 51.0, 100-120 lb 42.0 to 50.0, 120-160 lb 39.0 to 48.5.

MEAT COMMISSION—Average Fatstock prices at representative markets on September 17. GB—Cattle 88.15p per kg lw (+0.02). UK—Sheep 145.32p per kg est dcw (+7.40). GB—Pigs 71.84p per kg lw (+2.48).

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported Produce: Oranges—Outspan: Valencia Lates 48 5.50, 56 6.30, 72 6.25, 88 5.40, 112 5.35, 138 5.30, 150 4.95; Brazilian: 113/64 4.60-5.20; Argentinian: 64/72/88/100 6.60-7.00. Lemons—Spania: Boxes 6.00-8.50, trays 25/50 2.80-4.30; Outspan: 80/195 7.50-10.50; Chilean: 80/160 9.00-10.50. Grapefruit—Outspan: 27 4.20, 32 4.85, 36 5.00, 40 5.30, 48 5.00, 56 4.40, 64 4.10, 72 3.30; Cuban: 36/40/48 4.50-4.60; Honduras: 32/56 5.00-5.50; Argentine: Ruby 36/40 6.50. Mandarins—Brazilian: 48/54 4.50, 64/75 5.00. Apples—French: New crop, Golden Delicious 20-lb 3.50-3.70; 40-lb 6.60-7.20, Stark Crimson 40-lb 7.50-8.50; Spanish: Granny Smith 8.50. Pears—French: Per 28-lb Williams 3.50, Alexandrine 3.00; Italian: Per pound 0.15-0.18; Spanish: Per pound 0.14-0.18. Nectarines—U.S.: 64 12.00. Plums—Italian: 20 lb Stanley 3.50, President 4.80-5.00; Romanian: Anna Spath 3.00.

English Produce: Potatoes—Per 55 lb white 2.20-2.70, red 2.40-2.75; King Edwards 2.60-3.20, jacket 3.50. Mushrooms—Per pound open 0.40-0.50, closed 0.60-0.70. Apples—Per pound Bramley 0.10-0.18, Grenadier 0.06-0.12, Lord Derby 0.09-0.12, Howgate 0.10-0.12, Worcester Tydeman 0.12-0.22, Cox's 0.25-0.30, Worcester Pearmain 0.14-0.24. Pears—Per pound, Dr Jules Guyot 0.08-0.10, Williams 0.10-0.12, Conference 0.12-0.14. Cauliflowers—Per pound Lincoln 1.60-2.00. Cabbages—Per bag Primo 30 lb 1.00-1.40. Lettuce—Per 12 round 1.00, Cos 10/12 1.80-2.00. Webb's 1.60-1.80. Tomatoes—Per 12 lb D 1.60-1.80, E 1.40-1.60. Radishes—Per pack 12 x 8 oz 1.50, bunches of 15 1.50. Onions—Per Tray x 20 bunches, spring 2.40, 55-lb 40/60 mm 2.50-3.00. Cucumbers—Per 10/20 1.50-1.80. Carrots—Per 26/28 lb 0.80-1.20. Strawberries—Per ½-lb 0.25-0.40. Raspberries—Per ¼-lb 0.40-0.60. Plums—Per 12 lb Damson 2.40-2.80, Bush 1.50-1.80, Majorie's 3.50-4.20, Laxton Cropper 1.80-2.00. Beetroot—Per 28 lb 1.00-1.20. Marrows—Per box 1.00-1.20. Fennel—Per 10 lb 3.00. Parsnips—Per 28 lb 2.00-2.20. Stick Beans—Per pound 0.15-0.25. Swedes—Per net 1.20-1.30. Leeks—Per net 1.20-1.30. Courgettes—Per 12 lb 1.00-1.30. Blackberries—Per ½-lb 0.15-0.20. Sprouts—Per 20 lb 2.20-2.50. Pumkins—Per pound 0.10-0.15.

★

GRIMSBY FISH — Supply good, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £5.60-£6.60, codlings £3.20-£4.70; Large haddock £4.00-£4.80, medium £2.80-3.60, small £1.80-£2.30; Large plaice £4.40-£5.60, medium £4.40-£4.70, best small £3.90-4.40; Skinned dogfish, large £8.00-£9.00, medium £7.00-£8.00; Lemon soles, large £10.00, medium £9.00; Rockfish £2.80-£3.20; Saithe £1.80-£2.60.

PRICE CHANGES

In tonnes unless otherwise stated.

	Sept. 17 1981	+ or —	Month ago
Metals			
Aluminium	£810/815	....	£810/815
Free Mkt	$1180/1210	....	$1255/285
Copper			
Cash w'bar	£947.5	—7.25	£951.5
3 mths	£982.75	—4.5	£984.5
Cash Cathode	£941.5	—10.5	£952
3 mths	£972.0	—9.25	£978.25
Gold troy oz	$456.25	+5.25	$430
Lead Cash	£403.5	—15.5	£414
3 mths	£416.5	—14	£419.5
Nickel	£4106.25	....	£4,087.5
Free mkt	265/290c	....	275/295c
Platin'mtr'y oz	£260	....	£260
Free mkt	£245.80	+2.45	£235.90
Quicksilver	$428/433	....	$425/435
Silver troy oz	596.15p	+5.4	512.65p
3 mths	616.35p	+5.3	530.15p
Tin Cash	£8235	—10	£8095
3 mths	£8265	+12.5	£8207.5
Tungsten22.0lb	$146.34	....	$145.43
Wolfrm 22.04lbs	$144/148	....	$142/148
Zinc Cash	£507	—8.5	£494.5
3 mths	£525.5	—7	£510.5
Producers	$1000	....	$925/1000
Oils			
Coconut (Phil)	$525x	....	$560
Groundnut	‡	....	‡
Linseed Crude	£432	....	£448
Palm Malayan	$500z	—5	$532.5
Seeds			
Copra Philip	$350	—2.5	$365
Soyabean(U.S.)	$272.5x	....	$289.5
Grains			
Barley Fut.Nov	£101.70	—0.5	£102.20
Maize	£126.75	....	£125
Wheat Fut.Nov	£107.90	—0.75	£109.20
No2 HardWint.	‡	....	£119.00
Other commodities			
Cocoa ship't *	£1,392	+7	£1,240
Future Dec.	£1281.5	+7	£1,258.5
Coffee Ft' Nov.	£994.5	+35	£1,008
Cotton A.Index	76.35c	—0.4	79.25c
Gas Oil Oct.	$303.25	—0.5	$304.5
Rubber (kilo)	55.25	—0.25	60p
Sugar (Raw)	£154wy	—7	£199
Woolt'ps 64s kl.	396p kilo	....	395pkilo

‡ Unquoted. z Oct. y Nov. x Oct.-Nov. w Sept-Oct. † Per 76-lb flask. * Ghana cocoa. n Nominal.

AMERICAN MARKETS

NEW YORK, Sept 17.

PRECIOUS METALS and copper came under heavy selling pressure when weekly government silver sales were authorised. Coffee finished limit-up on expectations of low first-quarter ICO export quotas. Sugar was under light selling pressure, but unconfirmed reports that the EEC might withhold sugar sales prompted light short covering. Cocoa found light support on projections for a lower Brazilian crop. Heating oil came under light selling pressure due to the continuing failure of OPEC to deal with pricing disparity, reported Heinold.

Copper—Sept 77.75 (79.80), Oct 78.10 (80.25), Nov 79.40, Dec 80.60-80.70, Jan 81.80, March 84.00, May 86.30, July 88.35, Sept 90.50, Dec 93.70, Jan 94.80, March 97.00, May 99.20, July 101.40. Sales: 9,000.

*Gold—Sept 442.1 (451.1), Oct 442.5-446.0 (452.9), Nov 450.6, Dec 455.5, 457.5, Feb 468.5, April 480.5, June 493.2, Aug 505.6, Oct 517.0, Dec 531.0, Feb 543.8, April 556.8, June 569.9.

*Platinum—Oct 433.5-435.0 (450.6), Nov nil (nil), Jan 448.5, April 465.4, July 481.9, Oct 498.4.

Potatoes (round whites)—Nov 73.3 (74.0), Feb 73.4-83.8 (84.5), March 87.2-88.0, April 101.7-101.9.

¶Silver—Sept 969.0-976.0 (1095.8), Oct 1052.0 (same), Nov 1066.0, Dec 1094.0, Jan 1099.8, March 1131.5, May 1162.0, July 1192.5, Sept 1223.0, Dec 1268.5, Jan 1284.0, March 1314.5, May 1345.0, July 1377.5. Handy and Harman bullion spot: 1041.00 (1087.00).

Sugar — No. 11: Oct 10.75-10.80 (10.95), Jan 11.55-11.65 (11.50), March 12.45, May 12.80, July 13.05-13.10, Sept 13.30, Oct 13.42. Sales: 14,450.

Tin—685.00-695.00 (699.00-700.00).

CHICAGO, Sept 17.

Lard—Chicago loose 22.75 (22.50).

Live Cattle—Oct 67.80-67.85 (68.07), Dec 67.75-67.90 (68.17), Feb 65.77-65.90, April 65.55-65.42, June 66.27, Aug 65.00, Oct 65.50.

Live Hogs—Oct 50.90-51.10 (50.57), Dec 53.40-53.65 (53.25), Feb 53.80-53.80, April 50.65-50.50, June 52.55, July 52.80, Aug 51.15, Oct 49.00, Dec 51.50.

‡‡Maize—Sept 278½ (277¾), Dec 295-295½ (297¼), March 315½-315¾, May 326½-326, July 334¼-334½, Sept 337½.

Pork Bellies—Feb 68.30-68.40 (67.60), March 68.40-68.35 (67.75), May 69.17, July 69.80-69.95, Aug 69.45.

†Soyabeans—Sept 668½-669 (666¾), Nov 671-673 (673½), Jan 694½-694, March 719-719, May 739½, July 757, Aug 760½, Sept 763½, Nov 772-773.

||Soyabean Meal — Sept 193.5-193.6 (192.7), Oct 191.0-191.2 (191.2), Dec 195.6-196.8, Jan 200.5-200.8, March 207.8-208.0, May 214.2-214.5, July 221.0, Aug 223.0, Sept 223.0-225.0.

Soyabean Oil—Sept 20.67 (20.95), Oct 20.85-20.89 (20.81), Dec 21.75-21.78, Jan 22.15-22.23, March 22.95, May 23.45, July 23.90, Aug 24.00-24.10, Sept 23.90-24.00, Dec 24.10-24.20.

†Wheat—Sept 400 (402¾), Dec 423¼-423½ (427½), March 448¼-443¼, May 456½-457, July 456-456¼, Sept 466.

WINNIPEG, Sept 14.

§Barley—Oct 128.00 (128.60), Dec 122.50 (123.10), March 126.40, May 130.30, July 133.00.

§Wheat—SCWRS 13.5 per cent protein content cif St Lawrence 241.04 (241.19).

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. || $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq feet. ‡ Cents per dozen. †† $ per metric ton.

Wednesday's closing prices

NEW YORK, Sept 16.

††Cocoa—Sept 2110 (2112), Dec 2202 (2211), March 2298, May 2334, July 2373, Sept 2403, Dec 2430. Sales: 1,427

Coffee—"C" Contract: Sept 114.25-114.75 (116.08), Dec 112.50-113.00 (115.13), March 110.00-110.30, May 110.50, July 111.00-111.40, Sept 111.65-111.70, Dec 110.50-110.75. Sales: 1,736.

Cotton — No. 2: Oct 64.15-64.30 (64.15), Dec 65.76-65.90 (65.71), March 68.40-68.45, May 70.18-70.19, July 71.70, Oct 74.30-74.50, Dec 75.30. Sales: 3,000.

Heating oil (dollars per U.S. gallon) —Oct 0.9460 (0.9485), Nov 0.9561 (0.9593), Dec 0.9696, Jan 0.9828, Feb 0.9950, March 1.0050, April 1.0075, May 1.0150, June 1.0220, July 1.0330, Aug 1.0440, Sept 1.0440, Oct 1.0585. Turnover: 4,004.

Orange Juice — Sept 124.60-124.75 (127.00), Nov 126.50 (129.25), Jan 129.50-129.80, March 132.00-132.25, May 134.50-134.55, July 136.75-136.80, Sept 138.25-138.50, Nov 139.25-139.50, Sales: 1,500.

CHICAGO, Sept 16.

Chicago Imm Gold — Sept 451.1 (452.0), Dec 466.5-465.5 (468.5), March 484.0-485.0, June 503.1, Sept 521.8, Dec 540.7, March 559.8, June 579.1.

NEW ORLEANS—Milled Rice Futures (cents per cwt of U.S. No. 2 long grain): Sept 2125, Nov 2005, Jan 2054, March 2100, May 2145.

EUROPEAN MARKETS

PARIS, September 17.

Cocoa—(FFr per 100 kilos): Sept 1295 asked, Dec 1290-1310, March 1321-1325, May 1330-1350, July 1370 asked, Sept 1370-1395, Dec 1400 bid. Sales at call: Nil.

ROTTERDAM, Sept 17.

Wheat—(U.S. $ per tonne): U.S. No. 2 Dark Red Winter 13.5 per cent Oct 200, Nov 204, Dec 206; U.S. No. 2 Red Winter Sept 174, Oct 180; U.S. No. 3 Amber Durum Oct 190, Nov 195, Dec 205; U.S. No. 2 Northern Spring 14 per cent Sept 193, Oct 190, Nov 194, Dec 202.

Maize—(U.S. $ per tonne): U.S. No. 3 Corn Yellow Afloat 136, Sept and Oct 131.50, Nov 131.75, Dec 136, Jan-March 146, April-June 150.

Soyabeans—(U.S. $ per tonne): U.S. No. 2 Yellow Gulfports Oct and Nov 265.50, Dec 272, Jan 279, Feb 284.50, March 289.50, April 293, May 297.50 sellers tradeless.

Soyameal—(U.S. $ per tonne): 44 per cent protein U.S. Oct-Nov 239 traded, Afloat 255-250, Sept 244, Oct-Nov 239, Dec 244, Nov-March 250 sellers; Brazil Pellets Afloat 260-254, Sept 253, Oct 252, Nov 256, Dec 257.50, Nov-March 268 sellers.

Sugar—(FFr per tonne): Nov 1580-1610, Dec 1615-1630, March 1699-1700, May 1744-1750, July 1750-1790, Aug 1780-1820, Oct 1800-1840, Nov 1800-1840. Sales at call: 37.

INDICES

FINANCIAL TIMES

Sept 16	Sept. 15	Month ago	Year ago
258.13	261.07	266.27	278.98

(Base: July 1, 1952=100).

MOODY'S

Sept. 16	Sep. 15	Month ago	Year ago
1033.4	1038.0	1066.0	1312.4

(December 31, 1931=100)

DOW JONES

Dow Jones	Sept. 16	Sep. 15	Month ago	Year ago
Spot	347.15	346.99	369.88	460.51
Fut'rs	367.64	367.19	381.00	473.83

(Average 1924-25-26=100).

REUTERS

Sep. 17	Sep. 16	M'nth ago	Year ago
1654.5	1671.6	1711.3	1758.3

(Base: September 18, 1931=100)

COMPANY NOTICES

GOLD FIELDS GROUP

NOTICE RE CLOSING OF REGISTERS OF MEMBERS

NOTICE IS HEREBY GIVEN that the REGISTERS OF MEMBERS of the undermentioned companies will be CLOSED for the purpose of the Annual General Meetings as follows:—

Name of Company (Each incorporated in the Republic of South Africa)	Register of Members closed (both days inclusive)
Doornfontein Gold Mining Company Limited	10 October to 15 October 1981
Driefontein Consolidated Limited	10 October to 15 October 1981
Kloof Gold Mining Company Limited	10 October to 15 October 1981
Libanon Gold Mining Company Limited	10 October to 15 October 1981
Venterspost Gold Mining Company Limited	10 October to 15 October 1981

By order of the boards,

C. E. WENNER,
London Secretary.

London Office:
49, Moorgate,
London, EC2R 6BQ.
17 September 1981

Putting industry's rates burden into perspective

By Andrew Taylor

RECENT protestations by British industry that swingeing local authority rate increases are likely to result in thousands more redundancies and force companies over the brink into receivership need to be put into clearer perspective.

Local authority rates, despite the sharp increases during the past two years, still form only a small proportion of overheads for most manufacturing companies by comparison with wages and other costs, such as fuel bills.

None the less, companies like Guest Keen and Nettlefold, BL and Dunlop in the West Midlands have responded with understandable anger at the latest round of rate increases introduced by local authorities which have sought to maintain spending levels despite cutbacks in Government grants.

Sir Michael Edwardes, chairman of BL, has bitterly complained that while his company has been forced to make redundancies and close factories—and kept annual percentage wage increases within single figures—local authorities have made little or no attempt to make comparable cutbacks in their expenditure.

But there is very little recent research to indicate what level of burden local authority rates actually place on corporate finances. Many companies are more than happy to talk about the size of their rate bills, particularly in the present political climate, but are more reluctant to disclose how these compare with other costs.

A report on non-domestic rates prepared by management consultants Coopers and Lybrand for the Shell Small Business Unit, published in February 1980, regretted the "meagre" information available on the impact of rates on small firms "although references to a deleterious effect are frequent."

The Coopers and Lybrand study reported that the last Census of Production to include information on rate costs was in 1968. Using these figures it appeared that rates for most major industries represented less than 2 per cent of net output, excluding raw material costs. Given relative movements in wages and other overheads over the past 12 years it is unlikely that the proportionate burden of rates will have risen substantially since then.

Nevertheless industry has a genuine grievance when it says that while the impact of other cost increases may be blunted during periods of low profitability—by redundancies, more efficient use of plant and the like—local authority charges cannot be avoided and have to be met in full.

The current relationship between declining manufacturing profits and rising rates bills provides the key to the recent upsurge in complaints. In fact, a study, this April, by Debenham Tewson and Chinnocks, property agents and chartered surveyors, shows that industrial and commercial rates were actually higher in real terms during 1975-76 than now.

The difference between then and now is that industrial profits for many companies are relatively much lower than in 1975-76 and firms can even less easily afford rate rises. The Confederation of British Industry has calculated that rates bills are currently equivalent to 56 per cent of gross trading profits of industrial and commercial companies—compared with around a third five years ago.

Since 1975-76 the local authority cash take from industrial and commercial rates has doubled to an estimated £3.6bn this year. But a similar exercise looking at relative movements in other overheads show an equally disturbing trend.

Figures recently released by De La Rue, the security printers, throw at least one perspective on how rates for a major industrial concern may currently compare with other overheads. De La Rue's operations on the Team Valley Trading Estate, Gateshead, fall within the boundaries of one of the Government's new style enterprise zones. Companies operating within such zones do not have to pay local authority rates.

De La Rue's presence within the Gateshead enterprise zone means that the company will save £143,000 a year in local authority rates. However this compares with company's annual wage bill of £10m for its Team Valley factory. De La Rue's case may not be entirely representative—Team Valley is working full time, has made no redundancies—but the figures do provide some kind of guide to the relative importance of rates in overheads for a major manufacturer.

But not all industry and commerce are large national concerns with substantial wage bills to meet. Small companies are more likely to find rates a greater proportionate burden, particularly warehouse and storage operations which are less labour intensive.

The rates burden also differs for office users and retailers. The CBI, for example, has estimated that local authority rates of £750,000 on its own Centre Point headquarters in London accounts for about 15 per cent of the building's annual overheads — including rent, wages and service charges.

Figures produced by W. H. Smith illustrate how rates may compare with other overheads for a large multiple retailer. It has 689 UK properties—many of them prime high street shops. Smith's rates bill this year will be more than £8m. This works out at just over 11 per cent of the company's aggregate wage bill of £71.6m in 1980.

Any rise in costs—whether wages, energy costs, local authority rates or even increased postal charges—will only add to pressures on companies making little or no profit. The strain becomes even greater during economic recession as it becomes more difficult to pass on increased costs in higher prices to customers.

It is therefore hardly surprising that a string of recent business questionnaires, completed by members of the CBI, various chambers of commerce and other employers' organisations, should conclude that higher rates have been a factor in redundancies. What is more difficult to ascertain is whether the recent sharp rises in rates are likely to be a major determining factor in future redundancy and closure decisions.

So far there is no evidence to relate high levels of redundancies and company failures with high rating authorities. A recent survey completed by the Statistical Section of the House of Commons failed to discern any significant trend between rate rises and rising unemployment among local county authorities.

The survey, although providing some useful material—in a debate which suffers badly from a lack of comprehensive research—is far from conclusive. It takes no account of any timelag between the occurrence of rate rises and any redundancies which may follow as a result. Moreover it cannot take account of other economic factors which might have overtaken the impact of various rate rises on individual company finances.

An analysis of recent trends in regional property markets may also provide some guide to the influence of accommodation costs—rent and rates combined—in deciding where industry and commerce prefer to locate their operations.

Hugh Routledge

L's Solihull plant: rates bill increased in April to £1.69m.

Despite the recent sharp rises in Greater London Council rates—with a 120 per cent increase threatened next year by GLC leader Mr Ken Livingstone—there has been no sign of any significant related reduction in demand for City office space. In fact a recent survey by the Royal Institution of Chartered Surveyors shows prime City rents continuing to rise, albeit slowly.

Moreover companies which have relocated outside central London in the past appear to have done so for a number of good strategic reasons—with lower wage costs outside central London just as important as cheaper rent and rates.

There is also no current evidence to suggest any substantial slackening in demand for more expensive industrial units in more favoured parts of the GLC area—notably to the west and north where top industrial rents can be £4 a sq ft and higher.

While the prime property markets like the City of London do not realistically expect a mass exodus of tenants the impact of rates bills on companies operating at the margin of profitability—particularly small firms—cannot be ignored.

Rates may still be only a small proportion of total overheads but any increase in costs at this time could send a company teetering over the edge into redundancies or bankruptcy. Nevertheless it would appear that a company must be in pretty poor shape—some might say already doomed—before rates will make the final difference.

The alternatives could present worse problems

BRITAIN'S system of local government financing is again under fire from industry and commerce. But there are dangers that some of the proposals now being suggested for the replacement or modification of local authority business rates will create more problems than they resolve.

The principle criticisms of local authority rates by businessmen are:

- A tax based on property values takes no account of a company's ability to pay during periods of reduced profitability.
- Industry and commerce, although it will pay £3.6bn in local authority rates this year, has little power at local elections to influence council spending policies.
- The rates burden on similar properties can vary widely between local authorities.
- Rate bills take no account of local services actually used by individual companies.
- Empty properties are still liable for rate charges although at a reduced level.

With these complaints very much in mind the Confederation of British Industry has established a working party to examine various alternatives to rates as a source of local government finance.

1. Abolition of business rates: Any reduction in the amount of rates paid by businesses would perforce have to be funded from elsewhere. Any additional liability put on private individuals whether in the form of higher national taxes or local taxes might be expected to result in inflationary wage demands.

2. Stricter central government controls on council spending: This would work while there is a government sensitive to the needs of business but what happens when administrations of different political persuasion come to power.

3. Switch from a property to a profits based tax: This would be extremely difficult to operate particularly for widespread national and international companies with a multiplicity of profits centres.

4. Establishment of a business vote: Separate votes for businesses in local elections were finally abolished in 1969. To re-establish this right would raise serious constitutional questions.

5. Re-rating of agricultural land and buildings: These have been de-rated since 1929. Widening the take of local authority rates to include agriculture would reduce the burden on industry and commerce.

6. Increased local charges: A switch away from rates to increased charging on local services actually used, might prove costly and difficult to operate—particularly when considering what indirect benefit firms may achieve from areas like improved education facilities.

7. Revaluation: The last revaluation for rating purposes was in 1973. As a result of delays in carrying out a new revaluation serious anomalies have been created.

8. De-rating of empty premises: Industry rightly decries the rating—even at a 50 per cent reduced rate—of empty premises. This can act as a brake on new speculative developments and only adds to costs when companies are in financial difficulty.

Some of these proposals such as the immediate carrying out of a new rating revaluation and the de-rating of empty properties, would appear to make good sense. But industry should be aware that wholesale changes to the rating system could leave them with worse problems.

COMPANY NOTICES

De Beers Consolidated Mines Limited

Incorporated in the Republic of South Africa

NOTICE TO HOLDERS OF DEFERRED SHARE WARRANTS TO BEARER

PAYMENT OF COUPON NO. 67

With reference to the notice of declaration of dividend advertised in the Press on 19th August 1981, the following information is published for holders of share warrants to bearer.

The dividend of 25 cents per share was declared in South African currency. South African non-resident shareholders' tax at 2.78675 cents per share will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend of 22.21325 cents per share.

The dividend on bearer shares will be paid on or after 30th October 1981 against surrender of coupon No. 67 detached from share warrants to bearer as under:—

(a) At the office of the following continental paying agents:

Banque Rothschild
21 Rue Laffitte
75009 Paris

Credit Suisse
Paradeplatz 8
8021 Zurich

Banque Bruxelles Lambert
2 Rue de la Regence
1000 Brussels

Union Bank of Switzerland
Bahnhofstrasse 45
8021 Zurich

Societe Generale de Banque
3 Montagne du Parc
1000 Brussels

Swiss Bank Corporation
1 Aeschenvorstadt
4002 Basle

Banque Internationale a Luxembourg
2 Boulevard Royal
Luxembourg

Payments in respect of coupons lodged at the office of a continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At the London Bearer Reception Office of Charter Consolidated P.L.C., 40 Holborn Viaduct, London EC1P 1AJ. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:
(i) in respect of coupons lodged prior to 16th October 1981, at the United Kingdom currency equivalent of the rand currency value of their dividend on 20th October 1981; or
(ii) in respect of coupons lodged during the period 16th October 1981 to 21st October 1981, both days inclusive, at the United Kingdom currency equivalent of the rand currency value of their dividend on 26th October 1981; or
(iii) in respect of coupons lodged on or after 22nd October 1981 at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the London Bearer Reception Office.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10 a.m. and 3 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the London Bearer Reception Office, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 17.5 cents per share arrived at as follows:

	South African Currency Cents per Share
Amount of dividend declared	25.00000
Less: South African Non-Resident Shareholders' tax at 11.147%	2.78675
	22.21325
Less: UK income tax at 18.853% on the gross amount of the dividend of 25 cents	4.71325
	17.50000

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. GREENSMITH
London Office:
40 Holborn Viaduct
London EC1P 1AJ

17th September, 1981

NOTE:

The Company has been requested by the Commissioners of Inland Revenue to state:—

Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 18.853% instead of the basic rate of 30% represents an allowance of credit at the rate of 11.147%.

De Beers
De Beers Consolidated Mines Limited

NEW KLEINFONTEIN PROPERTIES LIMITED

INTERIM REPORT

FINANCIAL

The unaudited results of the Group's operations for the six months ended 30th June 1981 are as follows:—

	Six months ended 30 June 1981	1980	Year ended 31 December 1980
Profit (Loss)	R774 818	(R58 182)	(R28 873)
Provision for taxation	25 843	—	—
NET PROFIT (LOSS)	R748 975	(R58 182)	(R28 873)

PROPERTY:

During April 1981 the agreement of sale of approximately four hectares of the company's ground comprising portion 178 of the farm Kleinfontein 67 I.R., Benoni, became binding, resulting in the receipt of the balance of the purchase price amounting to R675 000. The bulk of the profit for the half year is attributable to this sale but it is anticipated that revenue from stand sales and other sources will be sufficient to meet expenditure during the current half year, thereby resulting in a similar profit figure for the full financial year ending 31 December 1981.

DIVIDEND:

In view of substantial capital commitments, particularly the cost of essential services for Apex Extension No. 3 industrial township, the directors do not consider that the best interests of shareholders would be served by the declaration of an interim dividend. However, the position will be reviewed in the light of the results for the full financial year.

DUMPS AND RESIDUAL MINING TITLE:

A full disclosure in this respect was contained in the financial statements for the year ended 31 December 1980. No further developments of any significance have occurred although tentative discussions have taken place, and will continue in the context of a possible joint venture with the holders of adjacent mining title.

By Order of the Board
R. H. McLEOD
K. W. STUART
Directors

Registered Office
45 Commissioner Street,
Johannesburg, 2001.
18th September, 1981.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN TSUBAKIMOTO PRECISION PRODUCTS CO., LTD.

NOTICE IS HEREBY GIVEN that pending the payment of an interim cash dividend the shareholders' register will be closed for the period October 1 to December 31, 1981 and during this period it will not be possible to register the transfer of shares withdrawn against the surrender of EDRs.

Furthermore, it has also been declared that the shares will be traded ex-dividend on the Japanese Stock Exchanges with effect from September 26, 1981.

Subject to approval of the dividend, a further notice will be published stating the amount and actual date of payment of such dividend together with the procedure to be followed for obtaining payment thereof as soon as practicable after receipt of the dividend by the Depositary.

Coupon No. 2 attached to the EDRs will be used for collection of this dividend.

CITIBANK, N.A.
London.

September 18, 1981.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN NIPPON FIRE & MARINE INSURANCE CO., LTD.

NOTICE IS HEREBY GIVEN that at a meeting of the Board of Directors of Nippon Fire & Marine Insurance Co., Ltd., held on September 1, 1981, it was resolved that a free distribution of shares be made to shareholders in the ratio of 0.1 share for each 1 common share of Y50 each (1 new for each 10 old) as of record date 3.00 pm Tokyo time, November 20, 1981.

With effect from November 17, 1981 the shares will be traded on the Japanese Stock Exchanges ex-rights. Coupon No. 3 attached to the EDRs will deem to have matured on November 17, 1981, and will be used for the purpose of claiming these rights and Coupon No. 3 should be detached from any EDRs presented for surrender on or after that date.

The registration of shareholders of the Company will be suspended during the period from November 21 to December 19, 1981 and during this period it will not be possible to register the transfer of shares withdrawn against the surrender of EDRs.

A further notice will be published as soon as practicable giving the date of distribution of the new shares.

CITIBANK, N.A.
London Depositary.

September 18, 1981.

KOMMUNLANEINSTITUTET AKTIEBOLAG
UA 15,000,000
7½% 1978/1993 Bonds

NOTICE IS HEREBY GIVEN to Bondholders of the above loan that the principal amount redeemable on October 12, 1981 i.e. UA 450,000 was bought in the market.

Amount outstanding: UA 13,650,000.

The Fiscal Agent
KREDIETBANK
SA Luxembourgeoise.

Luxembourg,
September 18, 1981.

MORTGAGE BANK OF FINLAND OY

U.S.$20,000,000 9½% GUARANTEED BONDS 1981

Bondholders of the above loan are advised that the final redemption due 15th October 1981, will be effected by a drawing at par of U.S.$14,000,000 being all the outstanding bonds.

The drawn bonds may be presented to Hambros Bank Limited, 41 Bishopsgate, London EC2P 2AA, or to the other Paying Agents named on the bonds. Coupons due 15th October, 1981, should be detached and collected in the usual manner.

For payment in London, bonds will be received on any Business Day and must be left three clear days for examination.

HAMBROS BANK LIMITED

PROVIDENT LIFE ASSOCIATION OF LONDON LIMITED

ORDINARY SHARES

NOTICE IS HEREBY GIVEN that the Directors have declared an Interim Dividend for 1981 of 7p per share, payable on the 30th October, 1981 upon the Ordinary Shares of the Company.

Registered Shareholders

The Dividend will be payable to the Registered Shareholders whose names appear in the Register of Members at the close of business on the 9th October, 1981.

Share Warrants to Bearer

The coupons to be presented in respect of the above Dividend are numbered 194. They must be lodged for examination at Barclays Bank Limited, City Office, 8 Gracechurch Street, London EC3V 0BB, at least five clear days prior to payment.

By Order of the Board,
J. D. FOX, Secretary.

16th September, 1981.

CITY OF MONTREAL
3% PERMANENT DEBENTURE STOCK

NOTICE IS HEREBY GIVEN that the Transfer Register will be closed from 12th October to 30th October 1981, both dates inclusive.

THE ROYAL BANK OF SCOTLAND LTD.
Registrars

Registrar's Department,
15 Old Broad Street,
London EC2N 1DL.

PUBLIC NOTICE

METROPOLITAN BOROUGH OF CALDERDALE

£1,800,000 Bills issued 16.9.81 at the rate of 13⅝% to mature 16.12.81. Total applications were £10,800,000 and there were £1,800,000 Bills outstanding.

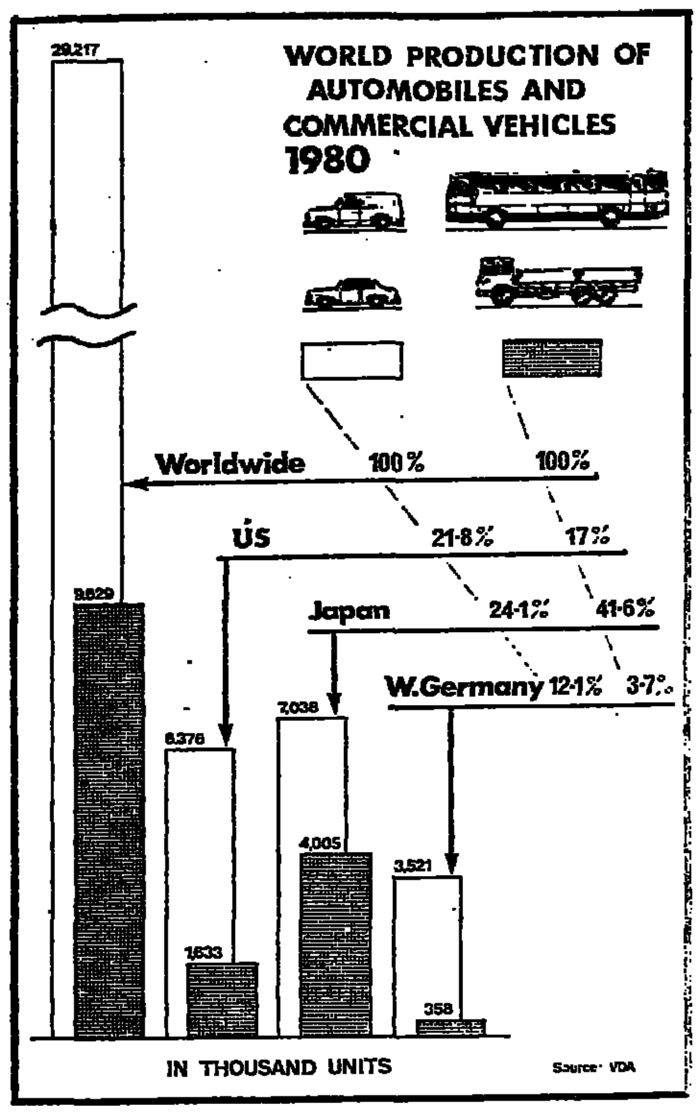
EXHIBITIONS

GLASS ENGRAVERS GUILD Annual Exhibition, Libertys, Regent St., London, W1. Oct 1-14, 9.30-5.30 Mon-Sat. Thurs. till 7. Demos daily 12-2.30.

FINANCIAL TIMES SURVEY

Friday September 18 1981

German Motor Industry



The world goes to the Frankfurt Motor Show this week in an atmosphere of international retrenchment which challenges the export orientation of German makers as much as the Japanese. The battle is also against costs, currency problems and the general recession but there is optimism that demand will pick up.

Export effort still a priority

By Kenneth Gooding
Motor Industry Correspondent

WEST GERMANY has a great deal to lose if the protectionism which has been gaining steady ground in the world motor industry develops into a full-scale trade war.

Last year West Germany exported 54 per cent of its car and commercial vehicle output, almost exactly the same proportion as the Japanese industry.

It needs a free trade framework in which to operate even though it concentrates much of its export effort on two areas, Western Europe and North America, which between them take over 90 per cent of the exported vehicles.

The West German-owned multi-nationals, VAG, the Volkswagen-Audi group, and Daimler-Benz (which makes Mercedes cars, lorries and buses) supply those two indsutrialised areas from West Germany itself, while products from the developing countries are originated in lower-cost production areas, Brazil in particular.

The two West German groups have also set up production facilities in the U.S., since it has become increasingly obvious that German costs are going to remain a big impediment to successful marketing in the U.S., the world's biggest car and lorry market.

Elsewhere, some of the developing countries have insisted that there be at least some local assembly—if not full manufacture—of vehicles and the West German groups have *had to establish overseas* assembly plant to stay in some important markets like Brazil.

In the process they have persuaded favoured suppliers to *move* overseas with them and a number of West German component makers are now well-established outside their home base as a result.

So the West German automotive groups are well ahead of the Japanese in establishing assembly or manufacturing bases *in markets* formerly supplied with conventional built-up vehicle exports.

The West German industry insists, however, that this switch of production overseas has not cost jobs in Germany itself because the former export markets have been closed against built-up vehicles.

There are two major examples. Volkswagen had already lost most of its car sales in the U.S. because of the dollar-Deutschemark relationship before it decided to set up production facilities in the States while Daimler-Benz was supplying the American market with Brazilian-built products before moving into truck assembly in the U.S.

And VW's decision announced earlier this week to co-operate with Nissan in Japan reflects the prevailing pragmatism. Without having Nissan produce its cars in Japan, VW would not be able to increase its market presence there or in the Far East beyond miniscule proportions. It believes that the only way to compete with Japan's low production costs is to produce in Japan.

But VW will still be able to send from West Germany to Japan engines, gearboxes and axles, high-priced items which will go some way towards evening out the automotive balance of trade between the two countries.

The motor industry trade association, the VDA, optimistically suggests that the automotive contribution to West Germany's exports (last year it was as high as 14 per cent of total exports) should steadily increase.

The VDA argues that although unit sales might decrease the value of each individual vehicle will tend to rise because of the additional technology to be increasingly incorporated through the early 1980s.

West Germany has more than a head start in this respect because last year the value of each vehicle exported was on average 38 per cent higher than those from either the French or British industries.

The VDA forecasts a 3 to 4 per cent annual increase in the value of the vehicles produced in West Germany.

This was despite West Germany running a deficit in unit terms in cars with the Eastern bloc, Japan, Spain and Brazil and also having a deficit in engines with Spain and Brazil.

As befits a free trading nation the West German market certainly is not closed to outsiders.

The U.S. multi-nationals were invited in so long ago they are now accepted as an integral part of the industry. Ford established its first assembly plant in West Germany — in Berlin — in 1925, while General Motors took control of Opel in 1928.

Imports take a steady 25 per cent of total car sales, but even the West German industry could not accept with equanimity the sudden onslaught by the Japanese car makers during the past 18 months.

Over that period Japanese car sales nearly trebled to around 10 per cent of the market at a time when the market went into recession. Last year it fell by 7.5 per cent to 2,426,000.

The West German industry, alone in Europe, refused to suggest that the motor industry was in crisis, however.

It saw the situation as one where it had to face several problems at once—the second energy crisis and subsequent steep rise in oil prices (which pushed up West Germany's oil bill to DM 63bn last year or double the 1978 level); an expected downturn in the business cycle; and the Japanese success.

Japanese progress, the German industry maintains, was mainly to do with the sharp deterioration in the value of the yen compared with the Deutschemark and was achieved almost entirely because of low prices.

Now the yen is on the way back up and the West German industry is much more relaxed. The West German Government hedged its bets by getting an undertaking from the Japanese that their car shipments to West Germany would this year not show more than a 10 per cent increase on the 1980 level.

The Japanese mainly took business away from other importers, particularly Renault of France and Fiat of Italy, but in the later stages began to have an impact on the West German manufacturer in their home market.

Up to that time the West Germans had, perhaps rather arrogantly, believed that their superior technology could leave them undamaged.

But the lower Japanese costs, allied to the under-valued yen, proved to be a deadly combination.

The Japanese worked an average 2,000 hours each on the available equipment last year against 1,600 hours by the employees in West German vehicle factories.

So the vehicle company managements have been giving clear warnings that the country cannot afford either further cuts in working hours and the pay increases demanded by the main union IG Metall unless they are matched by productivity gains.

The VDA reckons that this year's wage deal added 6 per cent to the total bill when fringe benefits were taken into account.

At risk is an industry which accounts for one job in seven in West Germany, once both upstream (at component makers and raw material suppliers) and downstream (at the service stations and so on) is taken into account.

The West German industry is the strongest in Europe. Its output last year, 3.52m cars and 358,000 commercials, put it ahead of France, with 2.9m cars and 440,000 commercials, Italy, with 1.45m cars and 167,000 commercials, and the UK with 0.932m cars and 389,000 commercials.

Elsewhere in the world, only Japan, with 7m cars and 4m commercials, and the U.S., with 6.4m cars and 1.59m commercials, are ahead of West Germany.

A number of factors have worked together to give West Germany this pre-eminent position.

There has been the willingness of the banks, which in West Germany have a deep understanding of manufacturing industry's requirements and problems, to lend a helping hand.

This has included in the past getting together to protect both Daimler-Benz and BMW from the unwelcome attentions of potential buyers from outside West Germany.

There has been a pragmatic approach by the Government which was willing to help save Volkswagen when it hit the financial rocks and to act directly to install new management at that group.

There has been the centralised trade union structure, which made negotiating at least physically less taxing, and the enforced consultation process whereby unions are represented on the management boards of companies. This has produced something like a consensus in the West German motor industry.

Also on the labour relations front, the ability to manage *successfully huge assembly* plants with many thousands of employees has always been a German speciality.

The relatively high number of "guest workers," who are more interested in earning good money to send home to Turkey, Spain, Portugal, Yugoslavia or southern Italy than pressing for improved working conditions, or creating any other disturbances, has undoubtedly been a major factor in that success.

The depth of the current recession has proved that the West German industry is by no means invulnerable, however. The two American-owned groups last year suffered losses: Ford one of DM 463m and Opel, in the red for the first time since 1948, one of DM 411m.

VAG and BMW profits also came under pressure, but Daimler-Benz, cushioned by a long-term order book for luxury *cars and the continued success* of its heavy truck business, managed to make progress in 1980.

Ford and Opel were hit particularly by a switch in demand away from large cars—those with engines over 2 litres—where bigger profits were to be made in a more normal year.

But the VDA predicts that demand will creep back to where it was before the recession, in West Germany at least. It argues that the middle-class West German still wants the same combination of features in any car he buys. He wants a car that can happily accommodate his entire family and, when necessary, zoom along the autobahn as fast the police will allow.

GERMAN MOTOR INDUSTRY II

The financial buffeting which has affected the various has made manufacturers look carefully at future plans. **Kevin Done** profiles the German-owned companies.

VOLKSWAGEN

Problems at the subsidiaries

VOLKSWAGEN, the largest West German automobile group, has survived the buffeting of the motor industry recession better than most of its rival volume car makers. Worrying problems are beginning to pile up at some of its major subsidiaries, however, and the concern is stumbling after enjoying an unbroken run of success since the mid-1970s.

In the Far East, the group is *breaking new ground* with the announcement this week of agreement with Nissan to produce a new VW model, the Santana, in Japan with output starting in October 1983. Production *will begin at 60,000* a year, rising to 120,000 by 1987. A further stage could add an extra 60,000 vehicles a year, with VW aiming sales at other Asian and Pacific markets.

Following the traumas of the loss-making years of 1974 and 1975 the Volkswagen group, which is 40 per cent owned by state interests, staged a dramatic recovery helped by the prolonged five-year boom in the domestic car market. It is coming under growing pressure, however, as it carries the burden of a massive capital expenditure programme at a time when many of its major markets have been hit by recession, and it faces serious questions about the wisdom of its expensive move to diversify into the electronics industry through the purchase over the last 2½ years of Triumph Adler.

In the U.S. and Brazil, two of the group's most important *overseas markets* where it is establishing extensive manufacturing facilities, Volkswagen ran into heavy losses in 1980 and this year it has been forced to cut back its workforce in both countries — drastically in the case of Brazil.

The group fell marginally short of its volume sales target last year with deliveries to customers falling worldwide by 2 per cent to 2,495,000 vehicles. More worryingly, Volkswagen saw the group's after-tax profits more than halved with a fall of 52 per cent to DM 321m compared with DM 667m in 1979.

Its performance was hit by the accumulated losses of Triumph Adler, and the VW subsidiaries in Brazil and in the U.S. At Triumph Adler, the acquisition that was supposed to provide VW with a profitable entry to the fast-growing world electronics industry, a profit of DM 20m in 1979 was turned into a loss last year of DM 86m.

In the U.S. where VW is in the process of building a second car assembly plant at a cost of around DM 500m, its subsidiary Volkswagen of America transformed a profit of *DM 18m* in 1979 into a loss last year of DM 89m. The concern's main Brazilian subsidiary, for long an important profit earner, collapsed to a deficit of DM 56m, while the Brazilian car and truck operation acquired from the ailing Chrysler Coporation of the U.S. Chrysler Motors do Brazil, in early 1979, produced a loss last year of DM 68m.

The dismal performances of these subsidiaries helped lead to the fact that of last year's group profit of DM 321m, some DM 311m came from the parent company.

The picture has darkened this year with first-half group profits collapsing to only DM15m, a drop of 93 per cent. In the second quarter of 1981 the *group operated at a loss* for the first time since 1975, and it is unlikely to more than break-even in the third quarter.

In the same period the group as a whole could produce an after-tax surplus of only DM 43m, a decline of no less than *DM* 85m on the first quarter of 1980.

In the U.S., which is swallowing the biggest part of VW's investment of more than $800m in North America and Mexico up to 1982, Volkswagen of America this year has declared its first redundancies since the company started manufacturing operations in April 1978. It shut its Pennsylvania assembly plant for a week in June in an attempt to bring stocks down into line with stagnating sales, chopped production from 1,040 to 940 cars a day and cut the factory's 5,700 workforce by 300. Sales in the U.S. of 172,000 vehicles in the first six months *failed to match last year's* performance.

In Brazil, where VW last year held 48.6 per cent of the car market and 31.4 per cent of the light commercial market, the company has been hit by the far-reaching uncertainties affecting the whole Brazilian economy. Its position has worsened this year with vehicle sales in the domestic Brazilian economy tumbling by 42 per cent to 110,000 units. The workforce of 47,000 employed in Brazilian car assembly operations a year ago has been reduced by 12,000.

Meanwhile, the doubts that for some months have been in the minds of leading VW executives about the takeover of Triumph-Adler begun early in *1979, have been multiplied this* month, when the office information equipment group announced that it would be forced to cut its German workforce of 9,000 by nearly a third over the next two years.

This year Volkswagen has again suffered a small fall of vehicle sales worldwide with a decline in the first six months of 4 per cent to 1,236,000 vehicles. The drop was chiefly caused by weaker demand in the West German market and the serious setbacks in Brazil.

Taken alone, Volkswagen *actually increased its domestic* car market share in the first half of the year to 23.4 per cent from 22.3 per cent in the same period of 1980. Sales held steady at 311,800 despite a general fall in West German new car registrations of 5 per cent. Audi's market share plunged to only 6.8 per cent from 9.5 per cent a year earlier, however, as sales fell by 32 per cent to 90,838.

Audi is the only domestic part of VW's car making operations that has been hit by short-time working, *although* parts of the commercial vehicles and components works at Hanover, Braunschweig and Kassel have also suffered temporary shutdowns.

Volkswagen's problems have done nothing to slow its *ambitious capital investment* programme, however, and the group plans to spend about DM 13bn from 1981 to 1984. Expenditure reached a new peak of DM 4.3bn last year, of which DM 2.5bn was accounted for by the parent company.

Only a limited part of the spending is going on expanding capacity. The lion's share is *being devoted to investment* in new products and to improving production methods. As part of this process VW is in the midst of a major programme of automation, which includes the introduction *of 700 to 800 robots.* About 350 robots are already in use and new ones are being manufactured in-house at the rate of one a day.

Of the new model programme VW is launching a new Polo at the Frankfurt Show to replace its ageing small car. A new related saloon car version of the Derby is also being presented along with a luxury saloon developed from the Passat range to be called the Santana.

VOLKSWAGEN'S FIVE-YEAR RECORD

	1980	1979	1978	1977	1976
Turnover (DM bn) ...	33.28	30.71	26.72	24.25	21.42
After-tax profit (DM m)	321	667	574	419	†1,004
Workforce	*258,000*	*240,000*	*207,000*	*192,000*	*183,000*
Total vehicle output (m)	2.57	2.54	2.38	2.22	2.16
Domestic output (m)	1.49	1.56	1.57	1.56	1.44
Foreign output	1.07m	984,000	816,000	658,000	730,000
Totl. vehicle sales (m)	2.49	2.54	2.39	2.24	2.14
Domestic sales	788,000	901,000	895,000	811,000	726,000
Foreign sales (m) ...	1.71	1.64	1.49	1.43	1.42
Capital investment (DM bn)	4.28	3.1	1.99	1.69	1.14

†Not comparable with other years because of loss brought forward

PORCHE'S FIVE-YEAR RECORD

	1979-80	1978-79	1977-78	1976-77	1975-76
Turnover (DM bn)...	1.24	1.35-	1.12	1.00	0.60
After-tax profit (DM m)	10.0	22.8	10.0	17.0	7.5
Workforce	4,948	5,031	4,849	4,316	3,713
Investment (DM m)	55.7	57.2	57.0	72.6	47.9
Car volume sales ...	31,764	39,561	34,908	37,157	20,367
Export shares of car sales (%)	66	63	69	74	66

PORSCHE

The burden of research

THE BURDEN of supporting the *research and development* facilities necessary for making some of the world's most advanced sports cars is forcing Porsche to give more to selling its excellent engineering services to outside customers.

About 12 per cent of Porsche's turnover—sales totalled DM 1.24bn in the business year to the end of July 1980—came from the sale of engineering services. This is a share that Peter Schutz, the new chief executive, hopes to double over the next five years.

Sales of Porsche high-performance sports cars, the 924, the 18-year-old 911 and the 928, still accounted for 86 per cent of the company's turnover last year, but it is attracting *a growing range of engineering* work.

Much of the work is done in secret for many of the world's leading car makers, although it has an especially strong *relationship with Volkswagen*, West Germany's largest car maker.

It is also working on contracts for Lada, the Russian car maker, in developing two new models.

The engineering work is not confined to the automobiles, however. Porsche also played an important part in designing the West German Leopard II battle tank, doing much of the development of the running gear, track and suspension systems. Its services are also in demand from aircraft makers.

Many manufacturers cannot afford to build up research and development staffs simply to meet peak-load demands, says Schutz.

"We come in and offer services to support the development of new cars or aircraft. We can also provide consultancy services, advising governments on some of their direct purchases," he adds.

Schutz has an engineering background, much of it acquired in the U.S. where he studied and worked for Caterpillar and Cummins. He returned to West Germany in 1978 to join the board of Klöckner-Humboldt-Deutz, before becoming chief executive of the family-owned Porsche group earlier this year.

The advance into engineering *services is especially important* at a time when Porsche's sales have fallen quite sharply over the past two years, mainly because of weak demand in the Federal Republic and in the *U.S.—the most lucrative export* market.

Final figures are still to be released but Porsche's volume sales in 1980-81 are estimated to have fallen by about 10 per cent to some 30,000 compared with 31,764 and 39,561 in the two previous years. Last year Porsche sold 37 per cent of its cars in the U.S., 29 per cent in other export markets, and about 34 per cent in West Germany.

In the year ended July 31 the company managed a slight increase in U.S. sales from 11,500 to 11,600. Exports also rose to *the UK (+3 per cent), France* (+27 per cent), Switzerland (+19 per cent) and Italy (+16 per cent).

In the current year Porsche sales could receive a stimulus from the introduction of a new model, the 944, a development of its 4-cylinder 924 series. The 944, to be introduced at this week's Frankfurt International Motor Show, has a newly-developed 2.5-litre engine.

Porsche's 924 series, built under contract by Audi, has been the company's most successful model with more than 100,000 produced since it was introduced in February 1974. The classic Porsche 911 took 12 years to reach the 100,000 level, in 1975.

BMW

Sharp fall in sales at home

BMW (Bayerische Motoren Werke), maker of high-*performance cars and motor*cycles, has suffered a sharp fall in domestic car sales in the first half of this year; but with strong demand in its leading foreign markets it is confident that, in total, sales and production this year will surpass last year, if only marginally.

The fall in BMW sales in the home market that has accompanied the general recession there has been more than compensated by rising exports. The company has made it an important priority in recent years to establish wholly owned importers in its main foreign markets.

Last year, while car deliveries to West German dealers slumped by 13.2 per cent to 140,772 units, it achieved a rise of no less than 14.8 per cent in car exports to 198,460.

This success in foreign markets was enough to underwrite a rise of 1.2 per cent in its car production to 341,031 units in a year when West German car production overall fell by 10.5 per cent.

BMW, which is more than 60 per cent owned by the private interests of the Quandt family, who have one of the largest private industrial holdings in West Germany, is now selling more than 88 per cent of its exports through its own *foreign subsidiaries.*

Its latest step, the first such move by a West German car company, was made earlier this year by its own sales organisation in Japan with the takeover of its local importer, Balcom Trading.

By 1985-86 BMW hopes to build a network of about 60 dealers in Japan from the present 30 and to increase sales from about 3,000 this year to around 10,000. The company now has its own sales organisation in 11 of its key customer countries.

In the first half of this year BMW was the only German car-*maker to manage an increase* in car exports. Exports by the West German automobile industry as a whole were down 9 per cent in the first half of 1981: though only slightly by 0.2 per cent to *104,356 units.*

Its share of the home market shrank to 5.3 per cent from 5.8 per cent in the corresponding period last year, however, as a result of a 13 per cent decline in its new registrations in the Federal Republic to 70,501 compared with 81,138 in the first half of 1980.

BMW's total sales in the first half of this year, down by 4.8 per cent, have been hit not only by the recession but also by the introduction of the new 5-Series model. The changeover inevitably caused a small hiatus in production, although BMW is hoping that the 5-Series launch will bring a new boost to sales.

Equally, the company moved this year to extend its range at the bottom end with the introduction of a new model to its *smaller 3-Series,* the 315. The 3-Series has been the most successful car ever built by BMW. The one-millionth model left the assembly line last May after 66 months of production.

The 315, introduced last February with a 1.6-litre engine, is aimed at widening BMW's potential circle of customers. To promote the marque's high-performance reputation, however, BMW has also made a return to top-class motor racing with the development of a new Formula 1 Grand Prix engine.

Like other West German car makers, *BMW is in the midst* of an ambitious capital investment programme aimed at increasing capacity, modernising production methods and developing new models and components. *It is spending* between DM 4bn and DM 4.5bn over the five years from 1979-84, and last year its capital expenditure jumped 53 per cent to a record DM 1.24bn.

In the next two years it is expected to ask the shareholders for new equity capital.

During the five-year car boom to the middle of 1979 the group found itself tightly up against the limits of its production capacity. It has seriously considered building an entirely new *plant—Regensburg was* once the favoured site—to supplement its main works at Munich, Dingolfing and Landshut.

These proposals appear to have been cautiously shelved, however, in favour of a DM 2bn plan to increase the capacity of its Dingolfing works from around 650 cars a day to 1,000 cars a day by 1985-86.

With Steyr-Daimler-Puch of Austria, BMW is also building a new engine plant in Steyr, Austria, as an important first step towards some diversification of its activities. Output is due to begin next year and the plant will eventually provide BMW with its first diesel engines as well as supplementing capacity for petrol engines at the company's overloaded Munich plant.

BMW is aiming to sell as much as 60 per cent of the Steyr output to third parties, and it has already concluded a major contract to supply Ford *of the U.S. with up to 190,000* diesel engines.

BMW's car production is supplemented by the manufacture of motor cycles in West Berlin, where it produced *29,260 units last* year. The unexpected West German boom in motor-cycle sales in the first half of this year has boosted this activity, pushing up sales by 12.5 per cent to 17,615 units and production by 14 per cent.

BMW'S FIVE-YEAR RECORD

	1980	1979	1978	1977	1976
Turnover group (DM bn)	8.12	7.41	6.56	5.53	4.76
Turnover parent company (DM bn)	*6.89*	*6.56*	*5.95*	*4.99*	*4.28*
After-tax profit (parent company) (DM m)	160.0	175.0	150.6	125.3	126.0
Workforce (group) ...	43,241	41,926	39,817	37,581	34,030
Car production	341,031	336,981	320,853	*290,236*	*275,022*
Total car sales	339,232	335,132	321,196	288,260	275,596
Domestic car registrations	138,900	153,900	154,600	140,200	130,100
% share of West German new car registrations	5.9	6.0	5.9	5.6	5.7

DAIMLER-BENZ

Strategy for expansion

DAIMLER-BENZ is *coming* through the motor industry's recession all but unscathed. In stark contrast to many of its major rivals, it has managed to increase production and sales of both its prestige cars and commercial vehicles, and last year—when West German automobile production fell overall by 8.7 per cent—the Stuttgart-based group *produced one of* he best results in the company's history.

Under a new chairman, Dr Gerhard Prinz, since the beginning of 1980, Daimler-Benz is at a crucial point in its development, and its strategy for future expansion in both the world car and commercial vehicle markets faces important tests in the *first half of the 1980s.*

After years of discussion and uncertainty the company decided in the mid-1970s to go ahead with the development of a smaller car to open the Mercedes-Benz range *to a wider* circle of customers.

For the future development of its commercial vehicles operations, which account for 51 per cent of the group's turnover, Daimler-Benz has for long been bracing itself to take the *risky leap into the U.S. heavy* truck market. As the world's biggest maker of heavy trucks *of 15 tonnes and above* Daimler-Benz could scarcely remain absent for ever from the world's largest truck market.

It hesitated for many months, however, before jumping earlier this year to make the $260m acquisition of Freightliner, the heavy truck-making subsidiary of Consolidated Freightways. With the takeover Daimler-Benz has gained overnight a 10 per cent share of the U.S. heavy truck market, but it faces a formidable challenge in assimilating the new company into its existing commercial vehicles *operations, which differ radic*ally in organisation and structure.

Two plants are under construction for the new Mercedes-Benz car at Sindelfingen, Daimler-Benz's main car production complex in Baden-Würtemberg, and at Bremen. *The new model* has swallowed a significant part of the group's ambitious, five-year DM 10bn investment programme, but it carries too the concern's hopes for expanding car production from the current level of around 430,000 to some 550,000 by 1985-86.

The Daimler-Benz's group capital spending jumped to DM 2.1bn last year after DM 1.97bn in 1979 and DM 1.49bn in 1978 and it is *expected* to stay at this high level for the period of the company's current five-year plan from 1981-85. About 65 per cent of the total is being devoted to the group's car activities with an important emphasis on improving production methods as well as renewing and extending the model programme.

The steady expansion of sales and production in the past decade has meant that the Daimler-Benz parent company has increased its workforce by 30,000 over the past 10 years, of which about 11,000 have been added in 1979-80, years of redundancies and widespread short-time working in the German motor industry.

Modest

This year Daimler-Benz is aiming at increasing car production again modestly to more than 433,000 vehicles compared with 429,000 in 1980. Demand for diesel models — they accounted for 48.4 per cent of car output last year — is high, and a fall in new registrations in West Germany has been compensated for by higher exports particularly to France, Italy, the *UK and the U.S. It expects sales of more than* 59,000 in the U.S. this year compared with 56,000 in 1980.

On the commercial vehicles side the sharp, abrupt fall in demand in the home market for trucks has been compensated for by booming sales overseas, particularly in a series of oil exporting countries. The group has not been able to easily to find alternative markets for its light commercials and van production, *however, and at the bottom end* of the market it is coming under increasing pressure from harder European and Japanese competition.

Production has had to be cut back at both its Bremen and Düsseldorf light commercial vehicle plants and short-time working has been avoided only by switching several hundred workers to other plants or other jobs.

Elsewhere in the group, Daimler-Benz is still losing money on its *bus-manufacturing operations,* which are suffering from *falling exports and the squeeze* on public expenditure within the Federal Republic. The rapid deterioration of the economies in Argentina and Brazil is also hitting Daimler-Benz's important subsidiaries in those countries and in Argentina, at least, the local operation has slumped into losses.

DAIMLER-BENZ'S FIVE-YEAR RECORD

	1980	1979	1978	1977	1976
Turnover (DM bn)	31.05	27.37	24.24	23.49	21.30
After-tax profit (DM m)	1,102*	638	593	587	392†
Workforce	183,392	174,431	167,165	163,302	155,003
Car production	429,078	422,159	393,203	401,255	370,345
Commercial vehicle production	272,868	256,467	239,703	248,100	247,756
Domestic new car registrations	241,000	234,000	214,000	214,000	197,000
Share of W. German new car registrations (%)	9.9	8.9	8.0	8.4	8.5
Domestic commercial vehicle registrations	86,000	88,000	80,000	69,000	69,000
Share of W. German commercial vehicle registrations	48.8	51.7	51.3	50.0	50.4
Investment (DM bn)	2.14	1.97	1.49	1.14	910m

* Including freed pensions provision of DM 391m.
† Parent company only.

Looking to 'world' cars and trucks markets

COMPONENTS

KENNETH GOODING

VEHICLE manufacturers in West Germany tend to manufacture more of their own components than their competitors elsewhere in Europe. But the dynamism of the industry has been such that a thriving independent components sector has developed none the less.

The country is reckoned to have around 250 medium-to-large automotive components companies and many more smaller ones. Between them *they have an output worth* around DM 4.5bn a year and employ 225,000 people.

Among the leaders are Robert Bosch: Zahnradfabrik Friedrichshafen: the tyre manufacturer Continental Gummi; Varta, the batteries group, controlled, like BMW, by the Quandt family; and Fichtel und Sachs, which has the lion's share of the West German clutch market.

Like Britain, but in contrast to France and Italy, West Germany formerly welcomed *foreign investment in the auto*motive industry.

GKN gained a substantial foothold in the West German market through the purchase of *the Uni-Carden business which* also brought with it Uni-Cayden subsidiaries in other parts of Europe.

Also in the 1960s, ITT of the U.S. moved in with the acquisition of Alfred Teves, which claims to be Europe's leading brake manufacturer.

Multi-nationals with subsidiaries in West Germany include Dunlop, and Rockwell of the U.S., which makes lorry brakes in West Germany. American Standard has a WABCO subsidiary also making brake systems.

Productivity is relatively high in West Germany but so are labour costs (particularly fringe benefits), and the country has not recently attracted much new investment by foreign component companies.

As for the outright purchase *of West German automotive* businesses, things became difficult at the end of the 1970s when GKN bid for control of the Sachs group and its main trading subsidiary Fichtel und Sachs.

The Federal Cartel Office objected and its objections were upheld by the Federal Supreme Court.

The Cartel Office maintained that Fichtel und Sachs' dominant position in the West German automotive clutch market—it was estimated to have a 75 per cent share—would be reinforced by GKN's involvement as owner.

The decision cut right across the moves being made to strengthen the European automotive component sector through mergers, and some observers interpreted it as a warning by the West Germans that they would prefer to see their own companies developed into "world" suppliers rather than have more of the industry in foreign hands.

The West German industry is already well represented around the world. When the vehicle makers moved out to assemble or manufacture, first in Latin America and more recently in North America, favoured suppliers were encouraged to follow.

They did so either by setting up their own subsidiaries or, when forced by local legislation, with jointly-owned companies. Only in extreme circumstances did the West German companies hand out licences for foreign concerns to make the products they had developed in Germany.

At least two of them, Bosch and ZF, are among the select band of internationally-operating companies supplying components for the new breed of "world" cars and lorries to be produced in the 1980s.

These "world" cars and *trucks will be assembled in* many different markets and appear in many different shapes to suit those markets. But they will have a few common components made economically in a small number of strategically-placed plants.

The financial muscle necessary means that only a relatively few big companies will be able to *join this particular* game, because they will also have to offer huge investments in the products in which they specialise.

Both ZF and Bosch have unusual corporate structures in that they are owned by (separate) charitable trusts. The trusts have been content with relatively modest dividend payments, so that most of the bottom-line earnings have been ploughed back into the companies.

As a result Bosch has been spending the equivalent of 6 per cent of turnover on research and development, while at ZF the figure has been 7 per cent.

Five years ago ZF, which makes gearboxes and steering gears, was relying on six plants in West Germany and one in Brazil. Pursuing the international strategy has involved starting a second plant in *Brazil.*

ZF moved into Argentina by buying a minority interest in an existing gear systems producer and it recently bought a Venezuelan plant already in production.

Also this year, a new factory has begun production in India, another country where the expected growth rate for lorries and buses is far higher than in Europe. Again with a local partner, ZF has set up a company in South Africa to manufacture enough gearboxes to make that country self-sufficient.

ZF has long-standing licensing agreements with Comecon countries such as Romania and Hungary while new ones have been concluded in Spain, Japan, and South Korea.

The U.S. provides a huge market, *so far hardly touched,* but as a start ZF has set up its own sales and service organisation in Chicago.

Bosch, too, has recently re-organised its North American *operations.* In the U.S., like its rival Lucas CAV of the UK, it expects to benefit hugely from the sharp increase in sales of diesel cars. Both companies supply fuel injection pumps for car diesel engines.

The Bosch management board chairman, Herr Hans Merkle, pointed out recently that a world-wide marketing policy sooner or later leads to the need to invest in production overseas.

The company therefore has its own factories in its five major automotive component export *markets—France,* Italy, Sweden, the U.S. and the Netherlands. Like ZF, Bosch has also followed its major automotive customers to Brazil and India.

Herr Merkle argued that this internationalisation process, far from having an adverse impact on the company's exports from West Germany, has actually improved them.

"Experience has taught us that exports to countries where production units have been set up have increased almost without exception," he says.

"*This factor* is determined by the growing need for sub-products (CKD parts) in these localities as well as the demand for further products to supplement their own production programmes.

"The company's physical presence in a given country stimulates demand for other products of the Bosch group."

There is, however, give-and-take in all trade and development of the "world" car and lorry is already having an impact on the West German automotive components industry.

For example, although West German technology and skill is being used to develop new car engines it is proving more economical for the multinationals to set up the factories to make them elsewhere.

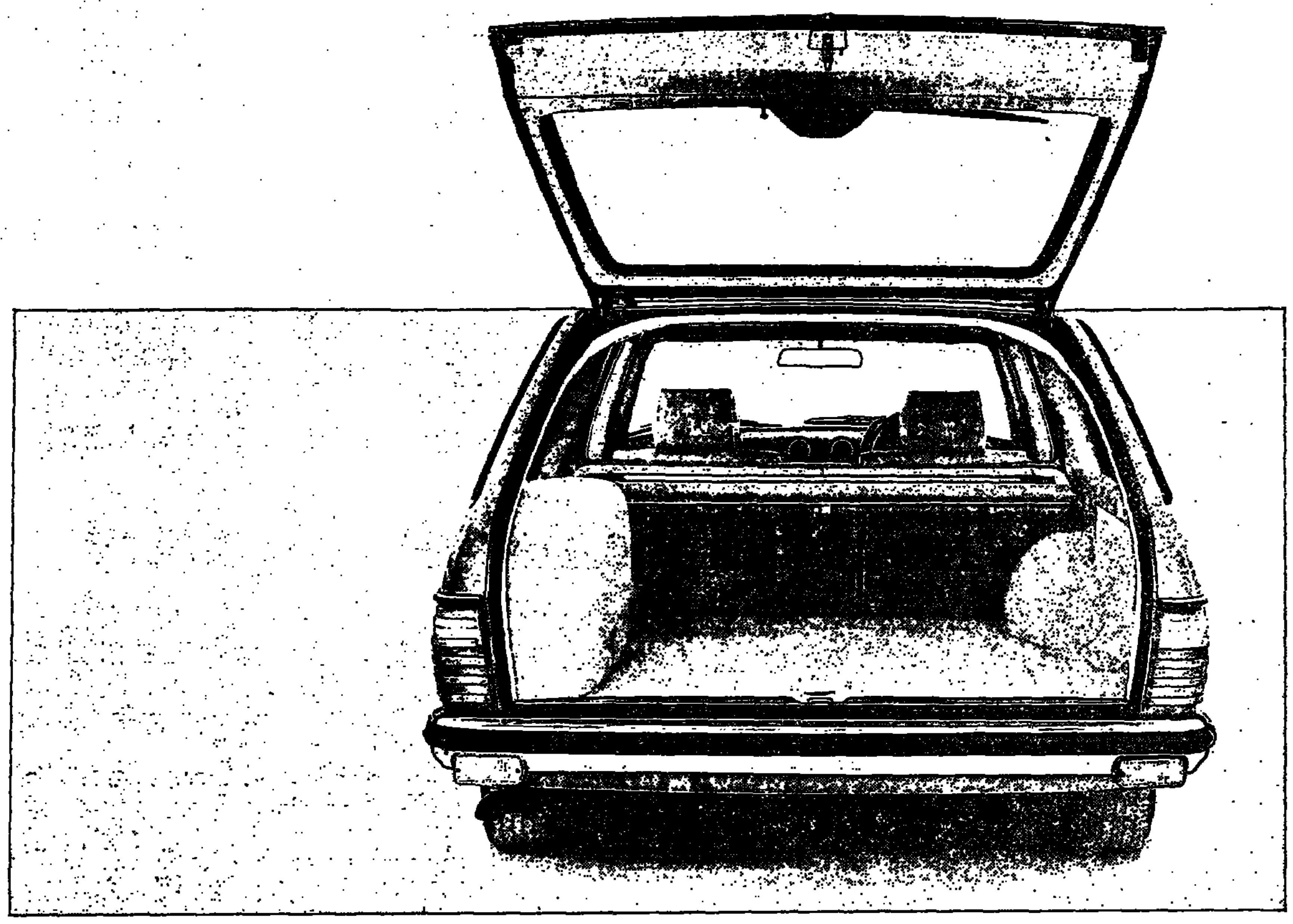
So Volkswagen is importing engines from Brazil, Ford is importing engines from Spain and Opel is sending engines to West Germany from Australia.

Opel's American parent, General Motors, has driven farthest along the "world" *vehicle road.* As a result, all the front-wheel-drive transmissions for the new Opel Ascona (and its British sister vehicle the Vauxhall Cavalier) will be made in Japan to an Opel design.

In spite of this trend, West Germany seems likely to remain the world leader in advanced automotive technology for years to come.

Bosch and VW are collaborating on automotive control electronics—which will increasingly provide the main innovative thrust—and even foreign companies, such as Dunlop with its top-of-the-range tyres, and GKN, with its constant-velocity joint technology, carry out their high-technology development in West Germany.

Buy this estate and you'll receive a Mercedes-Benz car free.



Perhaps you have believed, and in some cases rightly so, that moving to an estate meant sacrificing certain saloon car attributes.

"More carrying space, yes, but with all the comfort, noise and road manners of a lorry."

That sort of thing.

With a Mercedes-Benz Estate, that sort of thing really doesn't apply.

Because inside every Mercedes-Benz Estate, there's a Mercedes-Benz saloon car.

That's how it earned its star.

Before your Mercedes-Benz qualified as an estate, it had to behave like a Mercedes-Benz car.

Because of this a Mercedes-Benz Estate does not treat people like cargo. It does not even treat cargo like cargo, which is especially nice if you deal in eggs or antiques.

You ride in silent civilisation, unassailed by boom, shake, rattle or resonance. Your cargo rides safely behind a rear retaining net or beneath a roll-out 'tonneau' cover.

Your car is a beautifully-mannered long distance tourer or town carriage. In other words, a total Mercedes-Benz.

The ability to carry on regardless.

Whatever you wish to carry, regardless of shape or bulk, you've found the estate car that's most likely able to carry it.

Because each Mercedes-Benz Estate is available with a unique optional five, four, three, two or one passenger configuration that expands cargo capacity in a very versatile way. (See diagram shown below.)

In this final guise, the cargo area extends from the low loading tailgate smoothly through to the glove-box in the fascia to accommodate loads 9 ft. 5 ins long.

Safety in numbers.

There are over 120 safety features, aside from the much copied passenger safety cell, that keep Mercedes-Benz occupants protected far ahead of world safety legislation.

Passive safety features, include crumple zones that absorb energy progressively as they collapse under impact, and doors that stay shut in any accident, but can be opened easily afterwards.

Active features include four-wheel, independent suspension that maintains your car's Mercedes-Benz road manners and comfort whether running empty or at its full 1,367 lbs. payload capacity.

Plus power-assisted steering, four-wheel disc brakes and a laterally-adjustable heating and ventilation system that permits passengers to doze snugly while the driver stays alert.

You may also want to consider an optional extra ABS braking system, an innovation so remarkable it's best explained at length by your Mercedes-Benz dealer.

The 200T and the competition.

The estate which is shown is the new two litre 200T. It can travel at a constant 56 mph* for 35.2 miles and consume only a single gallon of petrol.

Start the single overhead camshaft engine and a sensor causes hydraulic fluid to be pumped into the rear shock absorbers to re-adjust the car to its proper equilibrium after being loaded.

The 200T offers various other advanced engineering features.

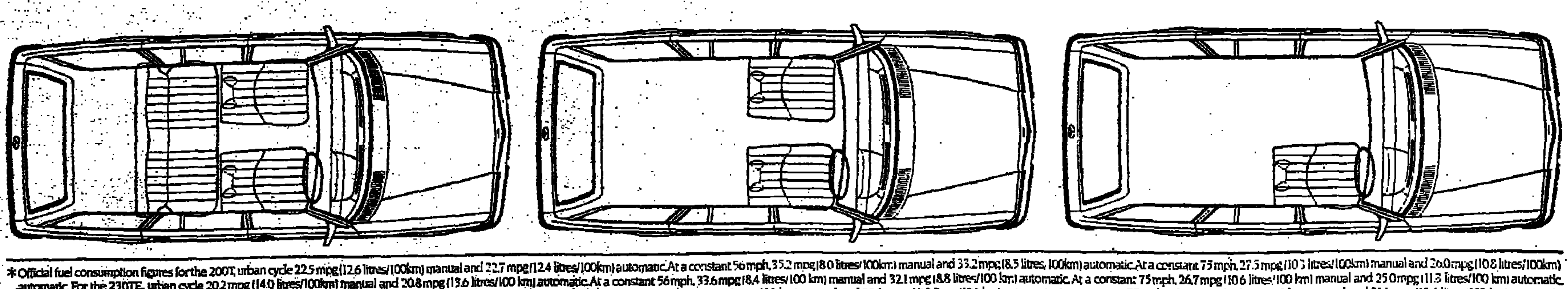
But before you decide that this is the estate car you've been waiting for, consider its only two competitors.

The 230TE Estate is a remarkably efficient performer. Similar to the 200T, it has a new light alloy head engine but is 300 cubic centimetres larger and enjoys the added efficiency of fuel injection. Top speed is 112 mph and yet, it can return 33.6 mpg at a constant speed of 56 mph.*

The very quick 280TE Estate has a fuel injected twin overhead camshaft engine that permits it, where legal, to shift your goods and chattels at 121 mph. It can also cover 25.9 miles for every gallon of petrol consumed at 56 mph.*

Your Mercedes-Benz dealer can arrange for you to see these three petrol-engined estates or the 2.4 litre and 3 litre diesel models, whichever you prefer. He'll also show you a starting price of £8,950 for the Mercedes-Benz 200T Estate. And, of course, the saloon inside it, is gratis.

Engineered like no other car in the world.



* Official fuel consumption figures for the 200T, urban cycle 22.5 mpg (12.6 litres/100km) manual and 22.7 mpg (12.4 litres/100km) automatic. At a constant 56 mph, 35.2 mpg (8.0 litres/100km) manual and 33.2 mpg (8.5 litres/100km) automatic. At a constant 75 mph, 27.5 mpg (10.3 litres/100km) manual and 26.0 mpg (10.8 litres/100km) automatic. For the 230TE, urban cycle 20.2 mpg (14.0 litres/100km) manual and 20.8 mpg (13.6 litres/100 km) automatic. At a constant 56 mph, 33.6 mpg (8.4 litres/100 km) manual and 32.1 mpg (8.8 litres/100 km) automatic. At a constant 75 mph, 26.7 mpg (10.6 litres/100 km) manual and 25.0 mpg (11.3 litres/100 km) automatic. For the 280TE, urban cycle 18.8 mpg (15.0 litres/100 km) manual and 16.5 mpg (17.1 litres/100 km) automatic. At a constant 56 mph, 33.2 mpg (8.0 litres/100 km) manual and 25.9 mpg (10.9 litres/100 km) automatic. At a constant 75 mph, 26.4 mpg (10.7 litres/100 km) manual and 21.1 mpg (13.4 litres/100 km) automatic.

Mixed prospects as production and exports fall

COMMERCIAL VEHICLES

KEVIN DONE

THE SLACKENING demand for commercial vehicles in West Germany and most other parts of Western Europe is forcing the German manufacturers into a growing dependency on overseas orders, especially from a few oil-exporting countries.

The decline in new orders, which began in the home market early last year and in export markets in the following autumn, has been reflected clearly this year in falling production and exports. Overall, the output of commercial vehicles in West Germany fell by 8.3 per cent in the first six months of this year to 164,300 units.

New vehicle registrations in the West German market itself were down by 12 per cent, a decline that has especially hit sales of heavy lorries and vans. Some makers of light commercial vehicles, such as Volkswagen, have been forced to introduce short-time working, while Daimler-Benz has only avoided such measures in this sector by moving several hundred workers to other plants in the group which in contrast are working to the limit of their capacity.

The industry's export performance has weakened overall mainly because of falling demand in other West European markets, which traditionally account for about three-quarters of West German commercial vehicle exports. Light lorry and van exports have fallen sharply, leading to an overall fall in exports of 7.9 per cent in the first half of this year compared with the same period last year.

Overall the commercial vehicles industry still achieved its highest-ever output of 357,481 vehicles last year, an increase of 12.7 per cent on the previous year; 58.6 per cent of domestic output was sold abroad compared with 56.2 per cent in 1979.

The signs of the weakening domestic economy could already he read in some sectors of the commercial vehicles market last year, however, as falling activity, particularly in the building and construction industry, began to cause a sharp fall in orders.

About 30 per cent of heavy lorry sales in the Federal Republic goes to the building sector, which is suffering severely from the general recession and the squeeze on public expenditure. New registrations of medium and heavyweight lorries last year at 37,773 units were already 10 per cent below the 1979 level.

According to MAN, the country's second-largest heavy vehicle maker, this year "there will be a further drop of about 25 per cent and new registrations *will approach the low* point reached in the 1970s, when in 1974 only 25,095 new vehicles were registered."

In a speech earlier this month, Herr Wilfried Lochte, head of MAN's commercial vehicles division, said an end of the current "deep recession" in the commercial vehicles market was still not in sight.

"The building industry is going through a bad period and in the goods haulage sector more and more vehicles are being taken off the roads," said Herr Lochte. "High interest rates do the rest. Our customers, mostly typical medium-sized companies, are deferring their decisions on new purchases."

According to MAN, the demand for commercial vehicles in most Western European countries has been "at rock bottom for months," although it is now seeing faint signs that the downward trend has reached its deepest point with sales stagnating at a low level.

Some consolation for the low demand in Western Europe has been found by West German lorry makers in a handful of overseas markets, however, where sales are booming as never before.

Daimler-Benz, for instance, the world's leading heavy *vehicle manufacturer, is* expecting to raise its West German truck output again this year to about 111,000 from 102,000 last year, mainly on the strength of demand from markets such as Nigeria, Malaysia, Indonesia, South Africa and the Middle East.

Overseas sales are accounting *for about 58 per cent of DB's* lorry programme above six tonnes, compared with only 45 per cent last year.

MAN has won several major orders *in the Middle East*, including a recent DM 270m contract from Iraq and Jordan for the delivery of 400 60-tonne lorries for service on the highway linking the Jordanian port of Aqaba with Iraq.

The deal includes the provision of extensive back-up, such as mobile repair workshops, water supply equipment and a drivers' camp. In the 12 months to the end of last June MAN increased its heavy truck *exports* by 59.7 per cent to 11,048 vehicles, finally reaching its goal set several years ago of exporting more than 50 per cent of its output.

Like *Daimler-Benz*, MAN believes that its success in overseas markets has more than made up for the weakness in Western Europe and the "prospects of remaining *fully* employed in 1981-82 are good."

Another new challenge for West German commercial vehicle manufacturers, has little to do with changes in the business cycle, however. The car makers have keenly felt the impact of Japanese imports in their domestic and foreign markets over the past two years, and there are clear signs that the Japanese are now turning their attention to the West German commercial vehicles market.

The Japanese challenge is inevitably coming first only in the light commercial vehicles market, partcularly for car-derived vans and other light vans.

Nonetheless, they succeeded in increasing their share of the *total West German* commercial vehicles market to 3.9 per cent in the first seven months of this year compared with 2.5 per cent over the whole of 1980, according to the *latest figures from* the West German Automobile Federation (VDA).

Daimler-Benz and MAN are confident that the Japanese will not find entry to the heavy commercial vehicle market easy, but Volkswagen is already feeling the breeze in light *commercials*.

The front on which the Japanese are advancing could well be broadened in coming months, however. Mitsubishi has already announced that it plans to introduce light lorries in the 4.6 to 5.5 tonnes range later this year. It will export only the chassis and cabs and *intends to make other parts in* West Germany.

In heavier lorries Herr Lochte of MAN is confident that "the technical standard of Japanese commercial vehicles does not approach that of European manufacturers. This applies especially to engine development."

That describes only the current state of affairs, however, and MAN accepts that Japanese competition in the heavy commercial vehicles market will become noticeably stronger.

"We must assume that under their increasing need to export, the Japanese will catch up within the next few years," says Herr Lochte. In total, foreign makes took nearly 17 per cent of the German commercial vehicles market last year compared with 15.4 per cent in 1979 and only 2.5 per cent back in 1965.

Last year the Federal Republic made 3.7 per cent of the world's new commercial vehicles, compared with 4.6 per cent for France, 4 per cent for Britain, 16.9 per cent for the U.S., and the 41.6 per cent for Japan.

West Germany's position in heavy lorry manufacturing is of a different order, however. It accounts for 36.7 per cent of West European output of lorries of more than six tonnes.

Of vehicles of nine tonnes and above, West Germany last year produced 136,000 lorries and buses and exported about 46,000 of them. Japan produced 156,000 and sold about 79,000 of them on the home market.

With their traditional heavy reliance on exports, the leading West German commercial vehicle makers have also built an impressive number of factories abroad. Companies like Daimler-Benz, MAN and Volkswagen are still trying to increase their share of foreign markets through local manufacture and assembly.

The most ambitious move abroad in recent months is that of Daimler-Benz with its $280m takeover of Freightliner from Consolidated Freightways in the U.S. This concern holds about 10 per cent of the U.S. market for trucks of 15 tonnes and above. It marks a big step by Daimler-Benz into the U.S. market. IDB's commercial vehicle activities in the U.S. have hitherto been concentrated on gaining a modest foothold in the market for medium-size trucks. Last year it opened its first U.S. truck assembly plant, at Hampton, Virginia, with capacity for making about 8,000 trucks in the 9-14 tonnes range a year.

TRUCK AND BUS PRODUCTION

	1980
Faun	485
Magirus-Deutz	20,619
MAN	24,317
Mercedes-Benz	188,392
Neoplan	903
Opel	6,137
Setra	2,037
Volkswagen	114,591
Total	357,481

Demands from the men at the Ministry

TECHNICAL ADVANCES

JOHN GRIFFITHS

EVEN THE West German motor industry, which prides itself on being at the cutting edge of vehicle technology, has baulked at the demands now being made of it by the men from Bonn's Ministries.

Senior industry representatives met the Government this summer to be told that the latter wanted to see:

- An early, step-by-step further reduction in exhaust emissions averaging about 20 per cent compared with current models;
- Compliance from 1985-86 onwards with Bonn's proposal for a uniform reduction in emission levels throughout the EEC — entailing a further cut of 50 per cent.

Yet at the same time it wants the industry to improve on its voluntary undertaking made in 1979 to improve the overall fuel economy of cars by 10-12 per cent by 1985 against the levels prevailing in 1978.

On the basis of the past few years' experience and developments, an improvement of 15 per cent, perhaps slightly more, is now considered possible.

But improving fuel consumption and cutting emissions are to a large extent technically contradictory aims. And even without the fuel economy consideration, industry leaders say that the proposed 1985-86 emissions target is beyond state-of-the-art technology.

They have not convinced the Government, however, and a joint panel of experts will now examine the merits of the positions taken by each side.

In other areas they are much closer to consensus. For example, the industry believes that proposals to bring vehicle noise levels down to 75-80 perceived decibels, depending on type, by 1985 are feasible; indeed with some cars 73db have been achieved.

It is also pressing on with assorted programmes to develop vehicles using alternative fuels, including ethanol, methanol and liquefied petroleum gas—developments which will be continually reviewed in a joint government-industry working group;

It is also widening the availability of optional economy "packages" for vehicles and making increasing efforts to educate buyers into driving them economically.

The pressures on the West German industry to make such improvements are not, of course, coming solely from the West German Government. The U.S. is a particularly healthy market for most of the German manufacturers. Until the Reagan Administration announced its decision to ease up on some of former President Carter's planned emissions/economy legislation, the *pressures from this direction* were also considerable. And West German developments are also taking place in a highly-competitive and fast-changing *industry internationally*.

Nevertheless, in part West German makers have been responding to the challenge thrown down by the Ministry *of Research and Technology* at the end of the 1970s to develop a wide array of prototypes aimed at maintaining West Germany's place among the *technology front-runners*.

And some of the results are being unveiled during the Frankfurt Motor Show: prototypes from Volkswagen, Audi and Mercedes-Benz, all incorporating a welter of new ideas covering economy, emissions and noise improvements, but also safety, engine management, driver information systems — even new thinking on heat exchangers for air conditioning systems.

But they are not typical examples of one-off showtime "exotica." This is because the "guidelines" laid down in the Ministry's challenge—and the Ministry was footing half the development costs bill—were that the vehicles should be extensions of current production vehicles.

Mercedes' "Project 2000" cars provide good examples of *both medium- and long-term* thinking. Beneath their sleekly aerodynamic skins their origins lie in the current S-class cars introduced last year. But one is powered by a gas turbine, with which M-B engineers have been toying for years because of its particular strength in being able to run on virtually *any fuel from paraffin to peanut* oil.

Its main problem so far has been the high operating temperatures needed for efficiency —up to 1,600 degree C—but the development of ceramic materials is bringing them near to feasibility (Ford, working on a similar project with Garrett AiResearch in the U.S., says it is possible that ½m car gas turbines could be in existence by the end of the decade).

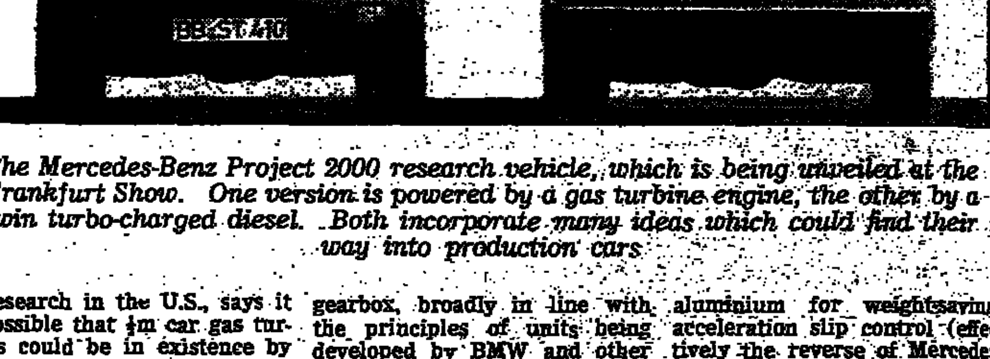
The other version is fitted with a V6 3.3 litre diesel with twin turbochargers. The novel aspect is that the turbos operate sequentially, with only one working below 2,400 rpm, and both above that figure.

The system is designed to overcome the low-speed torque and acceleration problems which have been associated with turbocharging.

On board, too, is a "thinking" gearbox, broadly in line with the principles of units being developed by BMW and other makers. It is electronically and hydraulically-controlled to operate in three command "modes"—economy, city and "fast," with sensors controlling gear changes for maximum economy or performance.

The list of innovations is considerable, covering under-car aerodynamics which help achieve a 20 per cent drag resumption below the current S-class; use of plastics and aluminium for weightsaving acceleration slip control (effectively the reverse of Mercedes' already introduced anti-skid system); even anti-collision radar.

The Audi and Volkswagen exhibits translate similar long-term thinking to the medium-sized and small car VW and Audi have already come a long way in terms of emissions and economy improvements: fuel consumption cut by 26 per cent since the mid-1960s, emissions by 60 per cent.



The Mercedes-Benz Project 2000 research vehicle, which is being unveiled at the Frankfurt Show. One version is powered by a gas turbine engine, the other by a twin turbo-charged diesel. Both incorporate many ideas which could find their way into production cars

TECHNOLOGY

EDITED BY ALAN CANE

Why Europe will have to wait for Philips' video disc

Videodisc has been hailed as the video technology of the future. But first JVC, and now Philips, have found it necessary to delay the launch of these new systems in Europe. **Elaine Williams** looks at Philips' difficulties at its Blackburn plant.

PHILIPS, the Dutch electronics group, is the second electronics company to delay the launch of a videodisc system in Europe until 1982. There is growing speculation that the world may not be ready for another revolution in home entertainment.

A videodisc is similar to a conventional audio record but produces both sound and vision when played on a special machine.

The delay comes at a time of great confusion about the potential of the videodisc market. The tremendous success of video recorders had boosted hopes than consumers would be equally excited about discs.

But, as in the cassette market, there will be three incompatible competing systems —and discs come in pre-recorded version only, so that potential customer may prefer the versatility of cassettes which allow taping from the television.

Ostensibly, Philips' reason for the delay of its LaserVision system is insufficient discs to support the launch in Europe. The company says that it wants to offer at least 100 titles of feature films and is busily stockpiling discs.

However, the company has admitted that the complex process involved in making videodiscs has caused some major headaches. Making a videodisc is in many ways akin to making a silicon chip.

Blackburn

In fact, two of the top people at Blackburn—where the discs will be made — Dr Geoffrey Eaton and Mr Alan Hayward both worked at semiconductor plants in other parts of the Philips group.

They see videodisc production following a similar path to silicon chips with the inevitable low yields in the early days until experience in manufacture improves the success rate.

As with chip production, Philips refused to give an indication about the percentage of discs which work at the end of the day.

The Philips' disc holds the television and picture sound information in tiny microscopic pits lying below the surfaces of a plastic disc. The player uses a laser to read back the information on the disc and there may be more than 40bn bits of information — making up about 54,000 individual television frames — stored.

The LaserVision system is one of three which will be offered to the British public next year. The rival systems are JVC — which will be marketed in the UK by Thorn-EMI — and RCA in the U.S.

Of them, the Philips system is the most sophisticated and the most expensive costing between £15 and £17 per disc and about £500 for the player.

But, after nine months operation and £6m expenditure at its Blackburn factory — opened in 1938 to produce radio valves — reliable production has not yet been achieved. A further £7m is to invested there by 1984.

Philips, which has been frank about the hold-up, said that its computer testing programme had not allowed for the random defects which can occur on the disc, such as those which cause the screen to flicker momentarily.

The major hold-up at the Blackburn factory is in testing the discs. At the moment, testing is done by about a dozen women who stare at television screens all day because the company has not developed a satisfactory way of checking the discs rapidly by computer.

Testing

Philips is to go to three-shift working to speed up testing of the discs which play for an hour. Each woman sits in front of four television screens.

Making a videodisc is a mixture of the high precision and clean conditions needed in a silicon chip factory and the traditional techniques used to produce conventional audio records.

It is based on three basic stages — producing a master disc from a videotape, producing the disc stampers, and mass production of the discs.

The master disc is made of optically flat glass which is covered in a light sensitive lacquer called photoresist. The videotape information is recorded on the lacquer layer by a laser.

Those areas exposed to the laser light become resistant to acid attack—other areas are washed away to form the millions of tiny pits which carry the vital picture and sound data.

It is the length of the pits and the distance between adjacent pits which determine the picture on the screen.

From this master a series of stampers are produced although the master is destroyed in the process. Mass production of the discs uses a clear perspex disc onto which lacquer is sprayed.

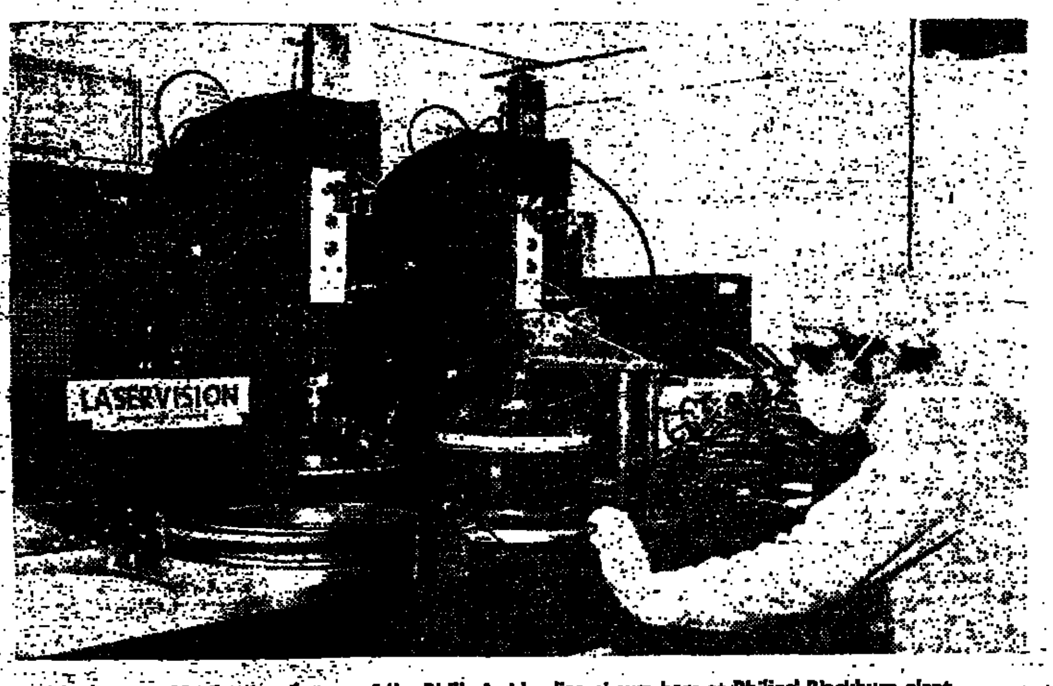
The stamper presses into the lacquer which is then partially hardened under exposure to ultraviolet light. Discs are loaded into a vacuum chamber and covered with a thin layer of aluminium which is the reflective layer for the laser.

Sophisticated, stylish product—but production difficulties have taken their toll

Finally, two discs are glued together to form a double sided disc.

The videodisc stakes are high with development costs estimated to be more than £100m for each of the systems being developed—a cost higher than that committed by RCA for the development of colour television in the 1950s.

Industry observers say that there is a potential market for videodiscs in the educational and institutional fields, and it may well be that the discs will become established there before a domestic market opens up.



The first stage in the manufacture of the Philips' videodisc, shown here at Philips' Blackburn plant

How they differ

THE RCA "Selectavision" system disc has a groove on its surface similar to a long-playing record. The groove is lined with pits; the pick-up stylus has a point fine enough to follow the groove and incorporates an electrode which detects the passage of the pits through changes in electrical capacitance.

The JVC "VHD" system also utilises a spiral groove and pits, but the stylus glides over the surface, again sensing changes in electrical capacitance. Both the RCA and JVC discs are made of electrically conductive material.

The Philips "Laservision" disc, on the other hand, is optically reflective and the grooveless surface of the disc is inlaid with a spiral of microscopic pits.

The disc is read by a stylus incorporating a gas laser. The presence or absence of a pit is indicated by changes in the reflectivity in the disc surface; these changes are converted into electrical signals which are decoded to give colour pictures and stereo sound.

Scicon and Racal kit for forces

AN air intercept control skills trainer developed by Scicon has been ordered by the Royal Navy, Scicon has been contracted to supply a turnkey system for the Air Direction School at the RN Air Station in Yeovilton.

The Scicon/APU trainer is a small computer system which uses part task training methods. It can be operated by a student on his own or in instructor/student pairs. It is claimed that the trainer is more cost effective and flexible than traditional simulators.

● Racal-Decca Systems and Simulators has announced an advanced minehunting action and information and navigation system, known as MAINS 500. It can be operated with any minehunting sonar and incorporates a combined surface and sub-surface operations display, automatic plotter and data plotter and data printer and an optional automatic chart table.

● Racal Acoustics has developed MATE, its new military automatic telephone equipment, which, it claims, is suitable for use as a shipborne emergency or secondary telephone system.

Battery powered, MATE can provide up to seven simultaneous conversations or conference facilities for 30 subscribers. Using frequency division multiplex techniques, and low cost coaxial cable the units can be portable or bulkhead mounted.

Scicon is on 01 580 5599; Racal-Decca and Racal Acoustics on 0734 782158.

RAND STRAND, for many years well known for its work on theatre lighting dimmers and controls, has introduced a new range under the title Environ designed for hotels, lecture theatres, hospital wards, museums and picture galleries. More from 01-568 9222.

High capacity filter

A CONTINUOUS sand filter, claimed to be able to accept effluents containing up to 10 times more suspended solids than can be handled by conventional filters, has been introduced by A. Johnson of London.

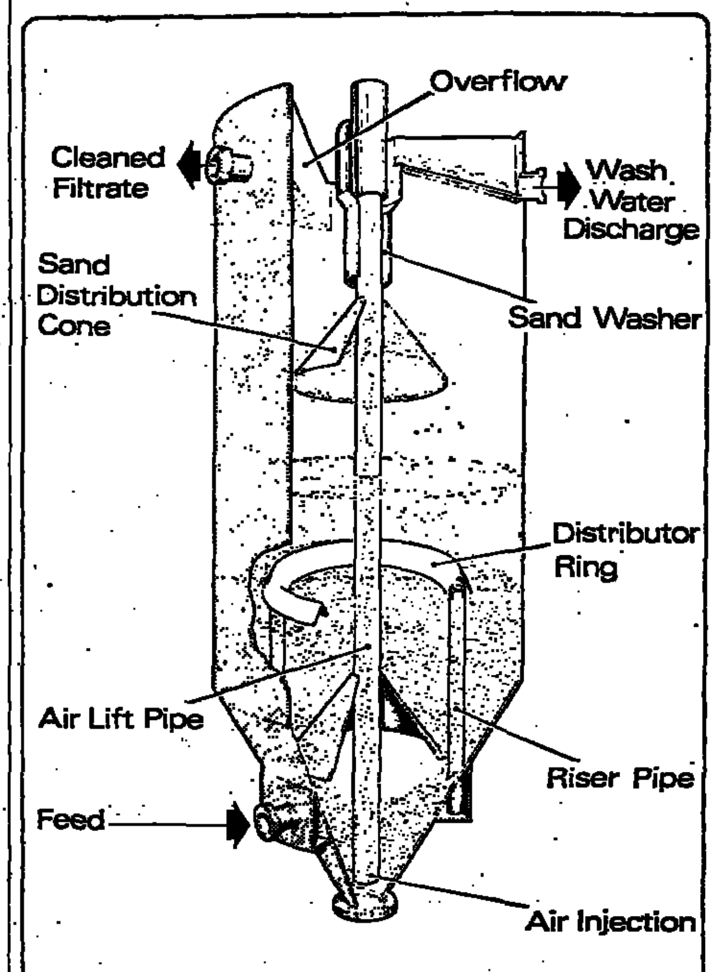
Entitled Dynasand, the company says that the unit can be used wherever sand filters are employed and may also be used for direct chemical precipitation and flocculation within the filter bed to eliminate the need for separate pre-treatment tanks.

Typical applications include waste water recovery in steel mills, coal preparation plants, metal finishing processes and in paper mills. The unit can also find a home with general water treatment in municipal processes and tertiary treatment of sewage.

As the diagram shows, effluent enters at the base of the unit and introduced to the filter bed through riser pipes. Filtration takes place upstream through ordinary filter sand, as the filter bed moves continuously downwards to an air left pump at the base.

The cleaned filtrate is discharged via an overflow at the top of the filter while fouled sand is lifted to a washer at the top of the central tube.

Dynasand was developed by the Axel Johnson Institute and A. Johnson at Aldwych House, London WC2B 4EL (01 404 0755).



..POINTERS..

Avon's 'sleeping policemen' are solid rubber

SOLID RUBBER ramps have been developed by Avon Industrial Polymers as an alternative to the concrete "sleeping policemen" used to slow vehicles in hazard areas.

Avon claims the new ramps are more durable than concrete and can be moved from one location to another without damaging the road surface.

The ramps have been tested at a major UK oil refinery where 32-ton tankers drove daily over a prototype ramp.

The ramps are estimated to have a life of 20 years with little maintenance. The cost is £14 a foot inclusive of fixing plates and rawbolts. More on 021-440 5771.

Bar graph led display 'ideal for multiplexing'

A 10 segment yellow bar-graph light emitting diode display with separate anodes and cathodes for each segment in a standard dual-line package has been developed by BA Electronics of Millbrook Road, Bristol.

BA says that with a switching time of 400ns the device is ideal for multiplexing. More on 0454 315824.

Honing machine cuts long and accurately

A machine capable of honing bores in a range between 11mm and 25mm and up to one metre long has been developed by a Cheltenham company. It is claimed that the honing is consistently round and parallel to within plus or minus 0.005mm and within plus or minus 0.01mm throughout.

Apperley Honing, Alstone Lane, Cheltenham, says that in this diameter range it has not previously been possible to achieve such accuracy beyond a bore length of about a third of a metre. More on 0242 25868.

Utrasonic sensors for level monitoring

A RANGE of ultrasonic sensors for liquid level monitoring in chemical process and offshore plant has been developed by Harwell's Applied Physics Division. These are now being manufactured under licence by Scheme Engineering, Basingstoke (0256 55513).

The sensors operate by an examination of the ultrasound reflected back from the interface between the wall of the container and its contents. They can also be used to detect the presence of liquids, even if ultrasonically opaque, of foams and moist powders.

Boots kills bugs in drilling muds

THE BOOTS COMPANY has introduced a new substance to control the growth of bacteria in drilling muds, completion fluids and flooding water.

Called Myacide AS, the new compound is said to have an exceptionally broad spectrum of antibacterial action; the active ingredient is used in the preservation of cosmetics and pharmaceuticals.

Myacide AS will be distributed in the North Sea oilfields by Streetley Minerals, already a major supplier of Bentonite, Streetley is on 0908 583838.

Catalogues from Dage...

DAGE EUROSEN of Aylesbury, Bucks (0296 32881) has introduced a range of spring loaded contacts and mating sockets for use with vacuum or mechanically actuated Bed of Nails Fixtures. A catalogue and sample kit is available from the company.

...and Mannesman

MANNESMAN DEMAG, manufacturers of storage and retrieval machines for warehouses have issued a brochure detailing their latest products. Inquiries to the company at Beaumont Road, Banbury, Oxon.

BASE LENDING RATES

A.B.N. Bank	14 %	■ Guinness Mahon	14 %
Allied Irish Bank	14 %	■ Hambros Bank	14 %
American Express Bk.	14 %	Heritable & Gen. Trust	14 %
Amro Bank	14 %	■ Hill Samuel	§14 %
Henry Ansbacher	14 %	C. Hoare & Co.	†14 %
■ Arbuthnot Latham	14 %	Hongkong & Shanghai	14 %
Associates Cap. Corp.	12 %	Knowsley & Co. Ltd.	14½%
Banco de Bilbao	14 %	Langris Trust Ltd.	12 %
BCCI	14 %	Lloyds Bank	14 %
Bank of Cyprus	14 %	Mallinhall Limited	14 %
Bank of N.S.W.	14 %	Edward Manson & Co.	13 %
Banque Belge Ltd.	14 %	Midland Bank	14 %
Banque du Rhone et de la Tamise S.A.	14½%	■ Samuel Montagu	14 %
Barclays Bank	14 %	■ Morgan Grenfell	13 %
Beneficial Trust Ltd.	15 %	National Westminster	14 %
Bremar Holdings Ltd.	15 %	Norwich General Trust	14 %
Bristol & West Invests.	15 %	P. S. Refson & Co.	14 %
Brit. Bank of Mid. East	14 %	Slavenburg's Bank	14 %
■ Brown Shipley	14 %	E. S. Schwab	13 %
Canada Perm't Trust	14½%	Standard Chartered	‖14 %
Cayzer Ltd.	14 %	Trade Dev. Bank	14 %
Cedar Holdings	14 %	Trustee Savings Bank	12 %
■ Charterhouse Japhet	14 %	TCB Ltd.	14 %
Choulartons	12 %	United Bank of Kuwait	14 %
Citibank Savings	¶13 %	Whiteaway Laidlaw	14½%
Clydesdale Bank	14 %	Williams & Glyn's	14 %
C. E. Coates	14 %	Wintrust Secs. Ltd.	14 %
Consolidated Credits	14 %	Yorkshire Bank	14 %
Co-operative Bank	*14 %		
Corinthian Secs.	14 %		
The Cyprus Popular Bk.	14 %		
Duncan Lawrie	14 %		
Eagil Trust	14 %		
E. T. Trust Limited	12 %		
First Nat. Fin. Corp.	15 %		
First Nat. Secs. Ltd.	15 %		
Robert Fraser	14 %		
Antony Gibbs	14 %		
Grindlays Bank	‡14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11.5%, 1-month 11.75%. Short term £4,000/12 months 14.35%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £50,000 12% and over £50,000 12½%.
‡ Call deposits £1,000 and over 11.5%.
§ Demand deposits 11½%.
‖ 21-day deposits over £1,000 12½%.
¶ Mortgage base rate.

Equity leaders begin to pull out of recent downslide but Gilt-edged resume fall on possible new funding

Account Dealing Dates

Option

*First Dealings	Declara-tions	Last Dealings	Account Day
Aug 28	Sept 10	Sept 11	Sept 21
Sept 14	Sept 24	Sept 25	Oct 5
Sept 28	Oct 8	Oct 9	Oct 19

* "New-time" dealings may take place from 9.30 am two business days earlier.

The uncertainty prevailing in London equity markets since Monday's announcement of higher interest rates began to lift yesterday. Relief that major engineering group GKN had established a small profit at the half-way stage and was maintaining the interim dividend was a supporting factor. Sentiment in both main investment sectors also benefited from the August money supply figures.

Leading shares began cautiously with sentiment affected by Wall Street's renewed weakness overnight and yet another call on London equity funds via the £24m rights issue from **Foseco Minsep**. Institutional investors were still pondering on the increase in borrowing costs for industry and the implied further delay in economic recovery, but smaller private clients were less inhibited.

Values started to edge forward in the late morning and continued the rally during the afternoon before going sharply better after the official, 3.30 pm, close. Early Wall Street advices were more favourable, and at the final count the FT Industrial Ordinary share index, at 531.4, had regained 5.9 of the previous three-day fall of 27.9. Defence stocks and selected Electricals met with continued selling, but the latter managed to end a shade up on balance.

Worries about new Government funding deterred investment interest in British Funds; speculation centred on an early issue of index-linked stock. Scattered nervous offerings met an unwilling market and longer-dated Gilts reacted ⅜ before steadying after the latest money supply statistics and recovering a shade during the after-hours' business. The shorts were often ¼ easier, and the overall dullness was reflected in a fall of 0.34 in the FT Government Securities index to a fresh 4½-year low of 62.33.

Activity in Traded options continued to contract and only 805 deals were arranged—604 calls and 201 puts. **ICI** and **Lonrho** recorded 141 and 113 calls respectively, while **Racal** attracted 75 puts.

Legal and General easier

Legal and General Easier

Second thoughts about the interim results and the agreed acquisition of Government Employees Life Insurance of the U.S. left **Legal and General** 4 cheaper at 247p. Dealings in **Provident Life** resumed at 338p with a close of 336p, compared with the suspension price of 328p, following the agreed 340p per share cash bid from Winterthur Swiss Insurance.

The banking statistics were responsible for a change in sentiment among the major clearers which recovered from initial dullness to close virtually unchanged. Elsewhere, **Manson Finance** shed 3 to 88p following the preliminary results.

Buildings again trended easier, but a slightly firmer tone developed in the late dealings and falls were sometimes reduced. **Blue Circle** settled a couple of pence cheaper at 490p, as did **BPB Industries**, at 267p. Housebuilders remained under pressure on the likelihood of dearer mortgages, **Barratt Developments**, annual results next Tuesday, shedding 8 more to 237p and **Comben** losing 3 to 39p. **Wiggins Construct** gave up a penny to 74p on news that Mr J. G. Wiggins and Mr C. C. Wiggins had reduced their holdings in the company, while **John Finlan**, still in talks with an unnamed party, *eased 4 to 168p*. *By contrast*, **MDW** added 3 to 102p on revived bid hopes, while **Magnet and Southerns** hardened a couple of pence to 146p following the annual meeting.

A couple of pence easier at one stage, **ICI** picked up late to close a net 6 dearer at 274p. **Fisons** closed 6 off at 142p, after 140p, on nervous selling ahead of next Monday's interim results.

UDS closed 5 better at 75p following interim results at the top end of market estimates. Other Store majors failed to gain impetus from the news, however, and hovered around the overnight positions in subdued trading. Secondary issues also traded quietly and it was left to the more speculative counters to provide some interest. **Rowland Gaunt**, 70p, and **Grant Bros.**, 185p, gave up 10 and 5 respectively on profit-taking, while **Harris Queensway** came on offer at 132p, down 4. In contrast, renewed takeover hopes lifted **Alfred Preedy** 5 to 75p, and **Sumrie Clothes** a similar amount to 55p.

Leading Electricals staged a noticeable recovery after showing further dullness in the early dealings. **GEC**, down to 723p at one stage, *rallied to finish a* penny higher on the day at 736p, while **Plessey**, helped by the £30m export order, finished 3 firmer at 337p, after 330p. Against the trend in secondary issues, **G. H. Scholes** featured again with a further rise of 30 to 225p on the better-than-expected preliminary results. **Farnell**, on the other hand, *fell* 10 to 455p, while **STC** eased 7 to 418p and **Electrocomponents** 5 to 138p.

Relief that the company had traded profitably in the first half and the maintained interim dividend prompted a useful improvement in **GKN** which settled at the day's best with a gain of 11 at 178p. Other leading Engineers rallied from a slightly easier start to close a few pence better on balance. Among secondary issues, fresh selling left **Mining Supplies** down 7 further at 122p, while **Jones and Shipman** eased 3 more to 50p on the reduced interim dividend and profits.

RHM continued to buck the trend in Foods, rising 1½ for a two day gain of 3½ to 50½p. Other leading issues picked up from a dull start to close virtually unchanged. Elsewhere, **Squirrel Horn** attracted further support *and added 2 more to 40p, while* consideration of the annual results left **Sidney C. Banks** a couple of pence firmer at 146p.

Another firm feature emerged in secondary Hotels and Caterers in the shape of **Rowton**, which jumped 10 to 137p on speculative buying fuelled by bid rumours. **M. F. North**, up 10 on Wednes*day for a similar reason*, held at 38p, but **Savoy "A"** eased 4 to 204p.

Foseco Rights

News of the proposed £24m rights issue caused weakness in **Foseco Minsep** which closed 26 *lower at 200p*, while the sharp fall in the interim profits prompted a reaction of 10 to 193p in **William Baird**. Still reflecting the sharply lower half-*yearly figures*, **J. Hewitt** *fell 6* more to 56p, while **Steetley**, down 7 at 181p, and **Sale Tilney**, 5 off at 230p, also gave ground following trading statements. **Robert Moss**, *in contrast, firmed 2½ to* 43½p following the profits forecast contained in the circular giving reasons for rejecting the bid from Orchard Holdings. ***Booker McConnell*** *closed un*altered at 60p, after 57p, the increased interim dividend outweighing lower half-yearly profits. Revived selling prompted *fresh weakness in* ***Office and Electronic Machine***, down 15 at 355p. Among defence stocks, **British Aerospace** reacted 6 more to 204p, after 202p, while **Aero***nautical and General* *fell* 15 to 295p and **Smiths Industries** 10 to 345p. Cleaning shares came under selling pressure, **Initial Services** reacting 10 to 235p and falls of around 5 being marked against **Johnson Group**, 233p, **Pritchard Services**, 164p, and **Sketchley**, 268p. Fresh offerings left **Bestobell** down 13 more at 410p and **BET Deferred** 5 off at 134p. Leading miscellaneous issues ended the day with small gains after trending a little easier initially.

Motor Components took on a firmer stance under the lead of **Lucas**, 8 dearer at 224p. An active two-way business developed in ***Dowty*** which ended a couple of pence to the good at 242p, while **Dunlop**, interim results next Thursday, added a like amount to 72p. Elsewhere, **Hesketh Motorcycles** provided an outstanding weak feature, *falling* 10 to 35p following the increase in overdraft facilities to finance engineering changes in the company's *long*-awaited superbike. Distributors remained irregular. First half figures from **Harold Perry** proved no worse than feared and the close was a penny better at 95p, *after 97p*.

Newspapers were featured by **Liverpool Daily Post** which advanced 10 to 152p in active trading in response to the near-trebled first half earnings. **United**, mid-term results due next Tuesday, added a couple of pence to 195p.

Under considerable *pressure* recently on the trend towards dearer money, leading Properties, easier at first, subsequently staged a modest rally. ***Land Securities*** *closed 4 dearer on* balance at 308p, after 302p, while **MEPC** touched a 1981 low of 211p before picking up to close a net 3 firmer at 216p.

Oils followed the general trend, the majority of quotations closing a little better after showing an easier tendency in the early dealings. Reflecting satisfactory interim results, **KCA** ended 3 to the good at 136p.

Peko-Wallsend advance

Investment Trusts remained dull. **Gresham House** continued to react to the annual loss and gave up 12 more to 273p. Financials also trended to lower levels with **Centreway Trust** falling 10 more to 80p, while **London Merchant**, which announced annual results on Tuesday, shed 4 to 60p.

Textiles were mixed. **David Dixon**, a dull market of late, rallied 9 to 106p in front of to*day's preliminary results*, but **Charles Early and Marriott (Witney)**, interim expected today, lost the turn to 23p.

An otherwise quiet and featureless Australian mining section was considerably enlivened by heavy speculative buying of **Peko-Wallsend** which jumped 25 to 450p as bid *rumours* followed news that a large parcel of Peko-Wallsend shares changed hands in overnight domestic markets.

Other Australians were quietly mixed. In the leaders, **Western Mining** touched 319p before closing a net 8 cheaper at 324p, while **Gold Mines of Kalgoorlie** dipped 10 to 520p, **North Broken Hill** 5 to 176p and **CRA** 3 to 232p.

South African Golds were erratic despite a $5.25 rise in the bullion price to $456.25 an ounce. Share prices dipped at the outset, but staged a minor rally with closing quotations well above the day's lows.

The Gold Mines index still showed a 4.2 decline for a three-day loss of 29.3 to 399.7.

The heavyweights attracted late demand which left gains of ¾ common to **Vaal Reefs**, £39, and **Free State Geduld**, £22¾. On the other hand, **Hartebeest** remained depressed and gave up ⅝ to £32¼ with **Western Deep** ¼ off at £21⅜.

Having fallen to 500p in early trading on consideration of the 42 per cent decline in interim profits, **Rio Tinto-Zinc** staged a good rally to finish a net 3 firmer at 515p. **Gold Fields** edged up 3 to 530p.

South African Financials were generally little changed in quiet routine trading. Elsewhere, Canadian issues regained some of the recent heavy losses, **Colby Resources** recouping 10 to 190p and **Highwood Resources** a like amount to 90p.

FINANCIAL TIMES STOCK INDICES

	Sept. 17	Sept. 16	Sept. 15	Sept. 14	Sept. 11	Sept. 10	A year ago
Government Secs	62.33	62.67	62.52	63.34	64.25	64.08	71.19
Fixed Interest	64.39	64.71	64.72	65.72	65.88	65.75	71.97
Industrial Ord	531.4	525.5	534.8	541.9	553.4	548.6	487.7
Gold Mines	399.7	403.9	418.0	429.0	421.3	415.6	487.7
Ord. Div. Yield	5.58	5.78	5.64	5.57	5.47	5.51	7.35
Earnings, Yld. %(full)	9.94	9.98	9.77	9.66	9.47	9.76	17.36
P/E Ratio (net) (*)	12.99	12.87	13.08	13.23	13.49	12.99	7.02
Total bargains	16,433	15,497	17,560	17,741	17,221	15,802	20,602
Equity turnover £m.	—	112.35	133.55	153.07	146.61	137.17	150.15
Equity bargains	—	12,139	14,001	14,896	15,250	13,058	17,162

10 am 524.8. 11 am 525.2. Noon 527.2. 1 pm 527.2. 2 pm 528.1. 3 pm 528.2.

Latest Index 01-246 8026

Nil=11.58.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (20/5)	62.33 (17/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	72.01 (20/5)	64.39 (17/9)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	429.0 (14/9)	262.6 (23/6)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Sept. 16	Sept. 15
Daily		
Gilt Edged Bargains	178.5	172.4
Equities Bargains	78.5	90.7
Equities Value	227.1	268.9
5-day Avrge.		
Gilt Edged Bargains	150.1	143.2
Equities Bargains	89.6	89.4
Equities Value	276.0	271.0

NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (9)

BANKS (1)
Goode Durrant & Murray

FOODS (1)
Banks (Sidney C.)

INDUSTRIALS (1)
Avon Rubber

MOTORS (1)
Appleyard

NEWSPAPERS (1)
Liverpool Daily Post

PROPERTY (1)
Carlton Real Estate

TRUSTS (1)
Manchester & Metropolitan

OVERSEAS TRADERS (1)
Tozer Kemsley 8pc Ln.

MINES (1)
Durban Deep

NEW LOWS (121)

BRITISH FUNDS (27)
INTERNATIONAL BANK & OVERSEAS GOVERNMENT STERLING ISSUES (3)
CORPORATION LOANS (4)
LOANS (2)
FOREIGN BONDS (2)
AMERICANS (2)
CANADIANS (3)
BANKS (6)
BUILDINGS (1)
DRAPERY & STORES (8)
ELECTRICALS (1)
ENGINEERING (2)
FOODS (1)
INDUSTRIALS (12)
LEISURE (2)
MOTORS (1)
PROPERTY (8)
SHIPPING (1)
SHOES (2)
TEXTILES (1)
TRUSTS (12)
OIL & GAS (15)
OVERSEAS TRADERS (1)
RUBBERS (1)
TEAS (3)

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	—	83	9
Corpns. Dom. and Foreign Bonds	3	33	34
Industrials	127	443	800
Financial and Props.	25	222	255
Oils	8	43	52
Plantations	1	10	12
Mines	19	59	90
Others	9	97	92
Totals	192	990	1,344

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Brit. Aerospace	204	− 6	MEPC	216	+ 3
Fisons	142	− 6	Midland Bank	330	− 2
GKN	178	+11	NatWest Bank	392	− 2
Land Securities	308	+ 4	*Plessey*	337	+ 3
Liverpool D. Post	152	+10	RTZ	515	+ 3
Lucas Inds.	224	+ 8	Steetley	181	− 7

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Wednesday's closing price pence	Day's change	Stock	No. of price changes	Wednesday's closing price pence	Day's change
RTZ	18	512	− 1	LASMO	10	475	−10
GEC	13	735	−10	North (M. F.)	10	38	+10
Brit. Aerospace	12	210	−12	BSR	9	75	+ 2
Matthews (B.)	12	130	− 5	GUS "A"	9	430	− 3
Racal Elect.	12	433	−12	ICI	9	268	− 6
GKN	11	167	− 9	Royal Ins.	9	380	− 2
Smiths Inds.	11	355	− 8	Barclays Bank	8	452	+ 2

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Sept 7	Sept 18	Dec 3	Dec 14
Sept 21	Oct 2	Dec 17	Dec 28
Oct 5	Oct 16	Dec 31	Jan 11

For rate indications see end of Share Information Service

Money was given for the call in Town and City Properties, Sangers, John Finlan, Charterhall, Premier Oil, North Kalgurli, Western Deep, FNFC, ICI, BSR and Hampton Areas. Puts were completed in GKN, RTZ, Avana and Boots, while doubles were taken out in FNFC, RTZ, and GKN.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thurs., Sept. 17, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Wed. Sept. 16 Index No.	Tues. Sept. 15 Index No.	Mon. Sept. 14 Index No.	Fri. Sept. 11 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (214)	348.62	−0.4	10.38	4.53	11.87	350.16	353.68	360.13	362.57	296.16
2	Building Materials (25)	306.93	−0.4	14.89	5.57	7.67	308.26	311.95	320.14	322.96	252.06
3	Contracting, Construction (28)	566.96	−0.4	16.74	5.03	6.94	569.02	571.00	583.19	583.22	437.81
4	Electricals (30)	1143.28	−0.3	7.90	2.47	15.81	1146.31	1160.04	1169.90	1181.60	905.16
5	Engineering Contractors (10)	488.65	+0.1	13.08	5.58	9.00	488.26	488.44	502.68	501.62	356.79
6	Mechanical Engineering (69)	197.58	−0.6	12.04	5.74	10.72	198.87	202.07	206.11	206.81	186.76
8	Metals and Metal Forming (13)	166.08	+0.7	9.57	7.13	13.70	164.89	167.15	170.01	171.44	170.00
9	Motors (21)	102.81	+0.7	1.66	6.73	—	102.11	102.64	105.93	106.48	102.27
10	Other Industrial Materials (18)	365.26	−1.8	9.12	6.18	13.36	371.92	371.45	383.18	385.04	0.00
21	CONSUMER GROUP (195)	273.43	−0.1	12.54	5.88	9.86	273.69	275.83	282.21	285.43	246.76
22	Brewers and Distillers (20)	285.56	+0.4	15.65	6.75	7.68	284.37	288.93	295.01	299.27	297.09
25	Food Manufacturing (21)	262.09	−0.8	15.05	6.42	8.02	264.15	253.51	278.78	270.37	226.47
26	Food Retailing (14)	539.99	−0.1	9.11	3.29	13.11	540.76	545.04	560.15	561.46	403.65
27	Health and Household Products (7)	333.99	+0.8	8.30	4.42	14.40	331.21	336.25	342.62	349.81	242.64
29	Leisure (22)	428.93	−0.3	9.29	5.13	13.38	430.25	433.94	443.08	448.41	352.05
32	Newspapers, Publishing (12)	480.95	+0.6	12.48	6.15	11.61	478.10	480.99	492.22	491.71	448.82
33	Packaging and Paper (13)	137.96	−0.7	14.45	7.71	8.30	138.87	139.99	145.81	144.77	129.63
34	Stores (44)	251.99	−0.1	11.46	5.28	11.65	252.16	253.64	260.48	264.36	243.77
35	Textiles (23)	155.52	−0.2	7.90	5.97	17.86	155.83	156.62	161.12	160.22	120.80
36	Tobaccos (3)	257.31	−0.4	19.74	9.70	5.93	258.42	261.47	265.34	270.83	232.96
39	Other Consumer (16)	277.06	−0.6	4.39	6.10	58.26	278.79	276.13	280.74	280.46	0.00
41	OTHER GROUPS (79)	224.13	—	11.18	6.36	11.43	224.15	225.95	230.25	231.82	228.82
42	Chemicals (15)	286.97	+1.3	5.81	6.33	28.23	283.35	288.32	290.48	293.78	314.73
44	Office Equipment (5)	106.33	−1.2	15.57	8.04	7.77	107.58	108.32	113.35	114.57	104.97
45	Shipping and Transport (13)	498.43	−0.2	21.26	7.34	5.60	499.37	499.77	509.09	516.99	591.54
46	Miscellaneous (46)	294.93	−1.1	12.94	5.70	9.35	298.24	298.31	306.08	305.59	285.97
49	INDUSTRIAL GROUP (488)	292.11	−0.2	11.54	5.42	10.74	292.75	295.30	301.42	304.15	252.94
51	Oils (12)	691.79	+1.1	20.97	8.32	5.40	684.50	689.67	701.35	708.28	806.67
59	500 SHARE INDEX	324.51	—	13.12	5.91	9.21	324.53	327.29	333.88	336.95	306.09
61	FINANCIAL GROUP (119)	261.67	−0.3	—	5.77	—	262.47	263.21	267.43	269.93	256.71
62	Banks (6)	273.88	−0.2	32.53	6.85	3.62	274.43	272.77	272.97	277.18	252.72
63	Discount Houses (10)	253.47	−0.9	—	8.94	—	255.81	251.33	261.72	262.93	300.84
64	Hire Purchase (3)	224.15	−2.2	13.66	8.25	10.13	229.15	229.15	239.08	240.56	231.18
65	Insurance (Life) (10)	281.25	−0.4	—	5.64	—	282.27	281.83	285.05	285.94	269.93
66	Insurance (Composite) (9)	170.14	−1.0	—	7.76	—	171.81	172.81	175.56	178.56	183.32
67	Insurance Brokers (8)	427.42	−0.1	10.59	5.55	12.82	428.05	431.50	440.79	443.91	366.44
68	Merchant Banks (13)	156.84	−0.9	—	5.13	—	158.26	160.07	163.78	164.38	148.14
69	Property (50)	460.49	+0.4	4.18	3.08	32.36	458.78	463.42	476.39	477.18	473.78
70	Miscellaneous (10)	175.86	−0.6	18.21	6.34	6.68	176.85	176.30	179.62	182.10	154.51
71	Investment Trusts (109)	304.55	−1.4	—	5.25	—	308.83	310.72	316.06	315.03	283.85
81	Mining Finance (3)	262.02	+0.5	14.44	5.43	8.21	260.67	261.34	264.28	267.91	262.56
91	Overseas Traders (19)	425.58	—	10.95	6.99	11.64	425.40	426.24	435.39	434.44	455.39
99	ALL-SHARE INDEX (750)	312.47	−0.1	—	5.85	—	312.87	315.07	321.04	323.71	298.09

FIXED INTEREST

	PRICE INDICES	Thurs. Sept. 17	Day's change %	Wed. Sept. 16	xd adj. today	xd adj. 1981 to date
	British Government					
1	5 years	105.92	−0.11	106.04	—	7.82
2	5-15 years	100.78	−0.54	101.33	—	8.72
3	Over 15 years	100.91	−0.54	101.46	—	10.34
4	Irredeemables	109.70	−0.50	110.24	—	9.05
5	All Stocks	102.22	−0.40	102.62	—	8.88
6	Debentures & Loans	78.96	−0.44	79.30	—	7.67
7	Preference	62.30	+0.08	62.25	—	5.39

	AVERAGE GROSS REDEMPTION YIELDS		Thurs. Sept. 17	Wed. Sept. 16	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	13.09	13.01	11.54
2		15 years	13.74	13.66	11.54
3		25 years	14.00	13.91	11.54
4	Medium Coupons	5 years	15.41	15.30	12.87
5		15 years	15.86	15.74	13.06
6		25 years	15.39	15.30	12.87
7	High Coupons	5 years	15.36	15.27	13.05
8		15 years	16.02	15.92	13.36
9		25 years	15.61	15.53	13.07
10	Irredeemables †		13.61	13.54	11.07
11	Debs & Loans	5 years	16.30	16.34	13.92
12		15 years	16.61	16.51	13.77
13		25 years	16.66	16.54	13.62
14	Preference †		15.89	15.91	14.45

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price p	+ or −	Div. p or amount	Times covered	Gross yield	P.E. ratio
155	F.P.	21/8	172	143	✱Aerospace Eng.	143	−2	bd7.5	1.4	7.5	18.2
§52	F.P.	24/9	99	75	✱Fleet St. Letter. 5p.	96	...	u2.5	1.9	3.7	20.2
—	F.P.	14/8	8	6	✱Hartons 5p.	8	...	—	—	—	—
25	F.P.	18/9	28	26½	JapanAssetsTrust 10p	26½	...	—	—	—	—
52	F.P.	2/10	56½	55	Jeavons Eng.	55	...	b3.75	1.7	9.7	7.2
§100	F.P.	30/10	102	101	MarineAdv.SailTst. £1	101	...				
§150	F.P.	1/10	136	132	✱Markheath 54.6%Pfd	133	...	18.66	1.5	14.7	—
‖	F.P.	20/8	125	105	✱Newcourt Oil	105	...	—	—	—	—
‖	F.P.	—	180	170	Nippon Electric	170	...	Q32½	2.9	0.9	57.5
—	F.P.	18/9	14	10	Stewart Ent. Warrs.	15	...	—	—	—	—
52	F.P.	28/8	120	112	St'ckhold'rsF.E.Inv £1	112	...	—	—	—	—
66	F.P.	7/9	86	75	✱Thorpac	85	−5	b1.82	3.7	3.1	11.3
100	F.P.	15/7	104	88	Utd.Comp.&Tech. 50p	97	...	—	—	—	—
§15	F.P.	25/9	17½	13	✱WillairoSystems 10p	13	−½	—	—	—	—
**	F.P.	11/9	15	9	Do. Rest. Div. 10p	9xr	−1	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price £	+ or −
**	F.P.	—	127	120	Amal. Dist. Products 10 Cv. Ln. '97	122	...
100	£40	20/10	38⅛	38¼	Birmingham Drop-Lock '86/93	38⅜	...
100	F.P.	7/8	112¼	97½	Chloride 7½% Conv. Prf.	96½	...
*	F.P.	24/9	100½	99¾	East Surrey Water 10% Prf. 1986	101	...
100	F.P.	28/8	115	104	Hanson Trust 9½% Cv. Uns. Ln. 2000-6	110	...
98½	£25	12/11	25¾	23	Inco 15¾% Uns. Ln. 2006	23	−½
100	F.P.	12/8	124½	109	Jones (Edward) 15% Cnv. Uns. Ln. '96-98	110	...
¶97	£10	3/9	110	93	Mid-Kent Water 9% Red. Prf. 1987	93	...
‖	F.P.	17/7	104⅛	94	Mount Charlotte 9½% Cnv. Ln. 1995 2000	96	+2
¶100	F.P.	—	100⅛	99	Nat'wide Bdg Society 14% Bds 25/8/82	99⅛	...
100	£10	—	11	10¾	Portsmouth 10% Prf. 1986	11	...
100	F.P.	23/7	179	99	Prop. Hldg. & Inv. Tst. 8½% Cnv. Ln.	99	−½
**	F.P.	21/9	93p	81p	Sterling Credit 3.5% Cnv. Red. Pref.	81p	...
100p	F.P.	11/8	100½p	68p	"W" Ribbons 10% Cum. Red. Prf. '95-96	68p	...
¶100	F.P.	24/9	101½	100½	York Waterworks 10% Red. Pref. '88	101½	...

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date		1981 High	1981 Low	Stock	Closing price p	+ or −
60	Nil	24/9	15/10	24pm	15pm	Amal. Dist. Products	16pm	...
10	Nil	9/10	11/11	3½pm	2pm	Astra Ind.	2pm	...
225	Nil	2/10	6/11	44pm	31pm	BICC	31pm	−2
275	125p	13/7	2/12	182	130	BP	138	−4
11	F.P.	28/8	30/9	13	10½	Gartons	11	...
62	F.P.	11/9	7/10	74½	68	H.A.T. Group	68	...
12½	F.P.	9/10	18/9	30½	23½	Jantar	24	...
131	F.P.	28/8	5/9	178	148	Ladbroke	148	−2
110	F.P.	7/9	19/10	135½	116	Laird Grp.	128	...
35	F.P.	21/8	2/10	60	41	Lane (Percy)	55	...
107	Nil	30/9	8/1	14pm	2pm	Morgan Crucible	2pm	...
160	F.P.	9/7	12/8	203	185	New Court Nat. Res. Units	195	−1
A$1	P.P.	—	—	196	126	Pancontinental	136	−4
85	Nil	18/9	19/11	159	144	Property Sec. Inv. Trt.	144	...
15pm	Nil	25/9	6/11	13pm	9pm	Trusthouse Forte	9pm	...
380p	F.P.	9/9	9/10	550	486	Utd. Scientific	480	−6

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *g* Assumed dividend and yield. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1981. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✱ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Comprising 8 Ordinary and 3 Warrants.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Clive Investments (Jersey) Ltd.
P.O. Box 86, St. Peter Port, Guernsey. 0481 26521
C. H. Gilt Growth Fd.* [illegible]
Clive Gilt Fd. (C.I.) [illegible]
*Prices on September 16. Next dealing September 24.

Cornhill Ins. (Guernsey) Ltd.
P.O. Box 157, St. Peter Port, Guernsey
Intnl. Man. Fd. 255.5 278.0

[illegible]

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Am. Gth. Tst.	61.4	66.0	-1.1	2.79
Abbey Capital	33.4	35.5	-0.8	4.11
Abbey General	58.4	63.3	-0.7	4.05
Abbey Gilt & F.I. Int.	95.2	100.0	-0.5	12.10
Abbey Income	37.4	40.4	-0.1	8.46
Abbey W'w.Bd.Tst.	100.9	106.8	+0.6	6.27
Abbey Inv. Ts. Fd.	50.2	54.3	-0.7	4.30
Equitas Prog. Tst.	84.8	91.7	-0.9	4.46

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	82.8	86.3	-0.1	13.75

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	89.6	95.9	-0.8	5.40
Brit. Inds. Fund	77.6	83.0	-0.7	5.16
Growth & Income	53.3	57.1	-0.6	4.39
Elect. & Ind. Dev.	47.5	50.8	-0.4	4.72
Allied Capital	101.0	108.1	-1.3	4.07
Hambro Fund	136.8	146.4	-1.6	5.48
Hambro Acc. Fund	193.9	207.5	-1.7	3.95
Income Funds				
High Yield Fd.	66.2	70.8		8.47
High Income	81.9	87.6	-0.6	7.91
Equity Income Fd.	47.4	50.7	-0.4	7.28
Govt. Secs.	23.2	23.8	-0.1	13.05
International Funds				
International	37.4	40.2	-0.6	2.17
Japan Fund	30.4	32.9	+0.3	0.50
Pacific Fund	75.7	81.0	-0.4	1.28
Secs. Of America	84.6	90.5	-1.2	2.35
Specialist Funds				
Smaller Co.'s Fd.	58.7	62.8	-0.4	3.74
2nd Smlr. Co's Fd.	72.5	77.6	-0.7	4.52
Recovery	28.5	30.4	-0.3	4.15
Met. Min. & C'dty.	67.7	72.4	-0.9	5.07
Overseas Earnings	78.4	83.9	-0.7	4.89
Exempt Funds				
Income Exempt	52.7	55.3	-0.4	8.23
Far East Exempt	81.5	84.6	-0.4	1.35
Smaller Co. Exempt	98.2	101.1	-0.8	4.83
U.S.A. Exempt	133.2	138.5	-1.2	2.57

Anderson Unit Trust Managers Ltd.
158, Fenchurch St., EC3M 6AA. 623 9231

Anderson U.T.	72.6	78.6	.....	3.15

Ansbacher Unit Mgmt. Co. Ltd.
1, Noble St., EC2V 7JA. 01-726 4931

Inc. Monthly Fund	163.0	173.0	.....	9.96
Leics. Agen.Fd.	54.0	57.0	.....	—

Anthony Wieler Unit Tst. Mgmt. Ltd.
19, Widegate St., London, E1 7HP. 01-247 8827

Wieler Gwth Fd. Inc.	42.3	44.5	.....	2.40
Do. Accum.	54.3	57.2	.....	2.40

Arbuthnot Securities Ltd. (a)(c)
37, Queen St., London, EC4R 1BY. 01-236 5281

Capital†	35.1	38.2	-0.2	—
Commodity**	91.2	98.3	-0.3	3.59
(Accumulation)	142.5	153.3	-1.3	3.59
(10% Withdrawal)	65.4	77.2	-0.2	3.59
Eastern & Internat'l	52.1	56.3	-2.3	1.70
(6% Withdrawal)	34.7	37.6	-1.5	1.00
Extra Income	92.0	99.3	-0.7	10.59
(Accumulation)	104.3	112.5	-0.8	10.59
Finance & Property*	24.2	26.3	-0.6	3.90
Foreign††	133.8	143.8	-1.1	1.00
Giants	47.5	51.7	-0.7	2.80
(Accumulation)	63.1	68.7	-0.9	2.91
Gilt & Fixed	36.5	38.4	-0.3	13.26
(Accumulation)	41.7	44.4	-0.2	13.26
Growth	41.2	44.3	-0.5	3.20
(Accumulation)	55.0	60.0	-0.8	3.20
High Income	34.5	37.4	-0.3	9.47
(Accumulation)	61.0	66.0	-0.1	9.47
(8% Withdrawal)	46.0	49.5	-0.3	9.67
High Yield	38.2	41.6	-0.3	11.56
(Accumulation)	71.8	76.9	-1.1	11.56
North American††	34.5	37.4	-0.9	1.80
Preference	19.1	20.4	-0.2	15.09
(Accumulation)	39.9	43.1	-0.9	15.09
Smaller Companies	37.1	41.6	-0.2	3.02
(Accumulation)	37.1	40.4	-0.2	3.02

Archway Unit Tst. Mgs. Ltd.(a)(c)

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	34.4	37.7	-0.2	12.06
North American	62.1	67.1	-0.7	2.51
Canadian Exempt*	74.7	79.6	.....	2.71
Canadian Trust	61.1	65.0	-2.4	2.70
Mid Mount High Inc.*	46.3	48.9	.....	8.27
Recovery	38.3	40.2	-0.4	7.22
Gilt Trust	38.2	40.0	-0.3	14.49

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	42.0	45.3	-1.1	0.55
Cres. Internat'l.	18.4	19.7	.....	1.52
Cres. High. Dist.	44.3	47.8	-0.2	9.41
Cres. Reserves	51.7	55.8	-0.4	5.38
Cres. Tokyo	40.4	43.6	-0.2	0.29

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	23.3	24.8	.....	6.97

Discretionary Unit Fund Managers
36/38 New Broad St., EC2M 1NU. 01-638 4485

Disc. Inc. Sept. 11	257.8	275.0	.....	4.75

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	18.2	21.0	.....	8.30
Gt. Winchester O'seas	20.8	22.2	.....	3.40

For Emson and Dudley see Robert Fraser Tst. Mgmt.

Equity & Law Un. Tr. M. (a) (b) (c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	93.5	98.4	-1.1	4.50

Fidelity International Management Ltd.
62-63 Queen St., London EC4 1AD 01-248 4891

American	37.8	40.7	-0.5	0.97
Ameri.Spec.Sits	28.7	30.9	-0.4	0.02
Gilt & Fixed Int.	22.8	22.9	-0.2	13.75
Growth & Income	34.3	36.9	-0.2	6.65
Max. Inc. Eq. Tst.	29.3	31.6	.....	8.77
Special Sits.	40.8	43.9	-0.5	1.21

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l	39.6	42.4	.....	1.37
Accum. Units	50.3	54.0	.....	1.37
J. Finlay Gth Income	34.3	36.7	.....	8.95
Finlay Wld. Energy	32.0	35.4	-0.3	1.57
Accum. Units	23.3	25.2	-0.9	1.57
J. Finlay Fd.In.Tst.	41.7	44.5	.....	3.77
Accum. Units	55.0	58.6	.....	5.47

Prices on Sept. 16. Next dealing Sept. 23.

Framlington Unit Mgt. Ltd. (a)
64, London Wall, EC2M 5NQ. 01-628 5181

Amer. & Gen.	88.0	94.0	-1.1	0.94
Am. Turnround	89.0	95.2	-1.6	1.96
(Accum. Units)	90.4	96.6	-1.6	1.96
Capital Tst.	64.8	69.2	-0.4	4.03
(Accum. Units)	69.7	74.6	-0.4	4.03
Convertible & Gilt	46.2	49.2	-0.6	10.17
(Accum. Units)	47.8	50.3	-0.2	10.17
Extra Income Trust	52.6	56.2	-0.4	8.69
Income Tst.	44.0	47.3	-0.4	7.79
Int. Growth Fd.	70.2	75.3	-1.0	1.19
(Accum. Units)	75.6	81.0	-1.2	1.19

Robert Fraser Trust Mgt. Ltd.
28b Albemarle St., W.1. 01-493 5211

Robt. Fraser Ut. Tst.	83.5	87.7	.....	6.00

Prices on Sept. 16. Next sub. day Sept. 23.

Friends Prov. Units	67.6	72.2	-0.5	4.19
Do. Accum.	98.6	105.4	-0.7	4.19

Funds in Court*
Public Trustee, Kingsway, WC2. 01-405 4300

Capital Sept. 3	138.5	143.6	.....	4.32
Gross Inc. Sept. 3	81.7	83.4	.....	11.15
High Yield Sept. 3	97.8	99.6	.....	10.53

*Unauth. Restricted to monies under Court control.

G.T. Unit Managers Ltd.
16, Finsbury Circus, EC2M 7DJ. 01-628 8131

G.T. Cap. Income	156.3	168.0	.....	2.60
Do. Acc.	202.7	217.9	.....	2.60
G.T. Inc. Fd. Un.	210.0	225.8	.....	8.10
G.T. U.S. & Gen.	225.9	242.9	.....	1.41
GT Jap. Bd. Fd.	201.8	216.1	.....	7.21
G.T. Japan & Gen.	125.6	135.2	.....	0.60
Gt. Pens. Ex. Fd.	380.2	402.3	.....	2.30
G.T. Int'l. Fund	268.7	289.3	.....	1.50
G.T. Far East & Gen.	299.3	317.5	.....	1.50
G.T. Tech. & Gth. Fd.	92.7	99.4	.....	0.50

G. & A. Trust (a) (g)
5 Rayleigh Road, Brentwood (0277) 227300

G. & A.	45.6	48.3	-0.4	5.20

Lloyd's Life Unit Tst. Mngrs. Ltd.
2, St. Mary Axe, EC3A 8BP. 01-623 6114

Equity Accum. (2)	267.0	281.0	.....	3.86

Local Authorities' Mutual Invest. Tst.*
77, London Wall, EC2N 1DB. 01-588 1815

Property Fd. Aug. 31	153.90	.....	6.83
Wider Fund Aug. 31	264.75	.....	4.76
Narrower Fd. Aug. 31	72.20	.....	14.14

*Unauthorised. Available only to Local Authorities.

M & G Group (y)(c)(z)
Three Quays, Tower Hill, EC3R 6BQ. 01-626 4588

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99 13/16	99⅛	Treas. Variable '81§§	99 13/16	......	13.75	14.23
100 11/16	99⅞	Exch. 12¼pc 1981‡‡	99 7/16	......	12.81	14.32
98 5/16	95 11/16	Treas. 8½pc '80-82‡‡	98⅛	......	8.66	14.19
96⅜	91⅝	Treasury 3pc '82‡‡	96⅛	......	3.12	12.86
107	99¾	Treasury 14pc '82‡‡	100⅛	......	13.98	13.84
99 11/16	98 3/16	Treas. Variable '82§§	99 3/16	−1/16	13.77	14.19
96 7/16	93 11/16	Treasury 8¼pc '82	95½	......	8.63	14.31
96 3/16	93 11/16	Exch. 9¼pc 1982	95¼xd	......	9.71	14.48
95¼	92⅝	Exch. 8¼pc 1983	94½	......	9.25	13.40
92¼	84⅞	Exch. 3pc 1983	90¼	−½	3.30	10.10
99⅞	95⅞	Treasury 12pc 1983‡‡	96⅞xd	−½	12.38	14.43
99½	96¾	Treas. Variable '83 §§	99⅜	−1/16	13.80	14.07
94⅛	91¼	Treasury 9¼pc '83	92⅝	......	10.01	14.07
101 5/16	97½	Exch. 13½pc '83	97½	−⅛	13.84	14.79
94⅛	91¼	Exch. 10pc 1983	91⅜	−⅛	10.94	14.61
88	84½	Funding 5½pc '82-84‡‡	86½	−¼	6.35	12.31
96¼	92⅝	Exch. 11¼pc 1984	92⅝	−⅛	12.14	14.94
103 3/16	97¾	Exchequer 14pc. 1984	97¾	−⅛	14.32	15.00
82⅜	78½	Exch. 3pc 1984	80⅛	−⅛	3.73	11.50
98⅜	92⅝	Treasury 12pc 1984	93xd	−⅛	12.90	14.90
107¼	100⅝	Treasury 15pc 1985	100⅜	−⅛	14.94	14.81
98⅞	91⅝	Exch. 12pc Cnv. '85	91⅝xd	−¼	13.09	15.19
76	73¾	Treasury 3pc 1985	74	−⅛	4.05	11.94
96 3/16	88⅞	Treasury 11½pc. 1985e	88⅞	−¼	12.93	15.41
98⅞	91	Exch. 12¼pc 1985	91	−¼	13.46	15.18
97⅛	89¾	Exch. 11¾pc '86	89¾	−¼	13.16	15.14
70 3/16	68	Treasury 3pc 1986	68¼	−⅛	4.36	11.91
97 11/16	89¼	Treasury 12pc '86	89¼	−¼	13.44	15.23
88⅞	81¼	Treasury 8¼pc '84-86‡‡	81⅜	−⅛	10.44	13.91
		Five to Fifteen Years				
103⅞	94¼	Exch. 13¾pc 1987	96¼	−⅞	14.07	14.83
81¼	75	Funding 6½pc '85-87‡‡	76⅛	−¼	8.83	13.30
99½	89⅞	Treas. 12pc 1987	91½	−⅜	13.79	15.32
81¼	74⅜	Treasury 7¼pc '85-88‡‡	75⅛	−⅜	10.47	14.05
65½	59¼	Transport 3pc '78-88	60¼	−¼	4.99	11.67
92⅞	80½	Treasury 11½pc 1989	81⅝	−⅝	14.23	15.99
67¼	61¼	Treasury 5pc '86-89	61⅛xd	−¼	8.08	12.69
101½	88⅝	Treasury 13pc 1990‡‡	91⅜	−¼	14.59	15.33
95 3/16	83¾	Exch. 12½pc 1990	83¾xd	−⅜	14.90	16.05
80⅞	72⅝	Treasury 8¼pc '87-90‡‡	73	−⅜	11.64	14.15
93¼	80⅞	Treasury 11¾pc 1991	81½	−⅝	14.82	16.09
66¾	58⅞	Funding 5¾pc '87-91‡‡	58⅞xd	−⅜	9.72	13.49
90	78¾	Exch. 11pc 1991	79¾	−½	14.59	15.99
98⅛	85¼	Treasury 12¾pc '92‡‡	85⅞	−½	15.20	15.96
82⅞	71½	Treasury 10pc 1992	72⅛	−⅜	14.01	15.64
94⅜	80⅜	Exch. 12¼pc '92	81⅛	−½	15.25	16.13
101⅜	86⅜	Exchequer 13½pc '92	86⅜xd	−½	15.60	16.16
96¾	83¾	Treasury 12½pc '93‡‡	84	−⅜	15.29	15.96
63⅞	55½	Funding 6pc 1993‡‡	55½	−⅜	10.82	13.65
105¼	91⅛	Treasury 13¾pc 1993‡‡	91⅞	−⅜	15.72	16.10
107¼	92½	Treasury 14½pc '94‡‡	92½	−¼	15.79	16.04
104¼	90⅛	Exchequer 13½pc 1994	91	−⅜	15.75	16.18
95⅛	81½	Exch. 12½pc 1994	81⅝	−⅜	15.48	16.08
79⅞	68⅞	Treasury 9pc '94‡‡	69¼	−¼	13.59	14.92
92⅞	79½	Treasury 12pc '95	79⅞	−½	15.37	16.00
51¼	44½	Gas 3pc '90/95	44½	−⅜	6.92	11.20
83	71¼	Exch. 10¼pc 1995	71½	−⅜	14.67	15.61
100⅛	86¼	Treasury 12¾pc '95‡‡	87	−⅜	15.43	15.84
104⅞	89¾	Treas. 14pc '96	90½	−⅝	15.85	16.09
76¼	65¼	Treasury 9pc '92/96‡‡	65¼	−⅜	13.80	14.95
115⅛	99⅝	Treasury 15¼pc '96‡‡	100⅛	−⅝	16.05	16.13
103½	88⅞	Exchequer 13¼pc '96‡‡	89¾	−½	15.59	15.86
		Over Fifteen Years				
100¼	92¼	Treas. 2pc I.L. '96‡‡	93⅛	−⅝	2.37	2.87
50¼	43½	Redemption 3pc 1986-96	43½xd	−⅜	6.87	10.57
101¼	86⅝	Treasury 13¼pc '97‡‡	87¼	−½	15.56	15.82
83⅞	71⅜	Exchequer 10½pc 1997	71⅞	−⅜	14.80	15.48
74¾	64	Treasury 8¾pc 1997‡‡	64	−⅜	13.75	14.73
65⅛	55⅞	Treasury 6¾pc '95-98‡‡	56¼	−¼	12.57	13.99
114½	96¾	Treas. 15½pc '98‡‡	96¾xd	−⅝	15.93	15.98
95½	80⅞	Exch. 12pc 1998	81½	−⅜	15.47	15.81
79⅜	68⅛	Treasury 9½pc 1999‡‡	68½	−¼	14.21	14.86
94	78⅝	Exch. 12¼pc 1999	78⅝xd	−½	15.52	15.86
86¼	73½	Treasury 10½pc 1999	74⅛	−⅜	14.86	15.35
100	84⅝	Treas. 13pc 2000	85½	−⅜	15.63	15.80
107¼	92⅛	Treas. 14pc '98-01	92⅞	−½	15.85	15.94
93¼	78¾	Exch. 12pc '99-02	79¼	−½	15.51	15.70
104⅜	88½	Treas. 13¾pc 2000-03	89¼	−½	15.77	15.84
90	75¼	Treasury 11½pc '01-04	75¼xd	−⅝	15.27	15.47
41⅛	34½	Funding 3½pc '99-04	34½	−⅜	10.33	12.07
99¾	84⅛	Treasury 12½pc '03-05	84¼	−⅜	15.50	15.57
91½	86⅜	Treas. 2pc IL‡‡	90⅛	−⅝	2.37	2.58
68⅞	58	Treasury 8pc '02-06‡‡	58xd	−¼	13.70	14.06
92½	77⅞	Treasury 11¾pc 03-07	78½	−⅜	15.33	15.42
103⅛	86¾	Treas. 13½pc '04-08	86¾xd	−⅜	15.50	15.57
50⅝	42⅝	Treasury 5½pc '08-12‡‡	42⅝	−⅜	12.93	13.28
66¾	57⅛	Treasury 7¾pc '12-15‡‡	57⅛	−⅜	13.61	13.92
98⅛	83¼	Exch. 12pc '13-'17	83¾	−⅜	14.90	14.90
		Undated				
33¼	28⅞	Consols 4pc	28⅛	−⅛	14.36	—
32¼	26⅞	War Loan 3½pc‡‡	26¼	−⅛	13.62	—
37⅝	31⅝	Conv. 3½pc '61 Aft.	31⅝xd	−⅛	11.02	—
25	20¾	Treasury 3pc 66 Aft.	20¾xd	−⅛	14.36	—
21⅛	17⅜	Consols 2½pc	17⅜xd	−⅛	13.90	—
21	17⅜	Treasury 2½pc	17⅜xd	−⅛	14.31	—

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99⅝	94	Finland 14½pc Ln 1986	94	−½	15.43	16.39
92¼	87	Int. Bank 5pc '77/82	91¾	−¼	5.45	14.92
99 11/16	93	Do. 13½pc Ln 1986	93	−½	14.52	15.67
100 3/16	92	Sweden 13½pc 1986	92	−½	14.67	16.05

CORPORATION LOANS

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
93½	87	Bath 11¼pc 1985	87¼	−¼	12.89	15.56
98	91	Birm'ham 12½pc 1985	91½	−¼	13.66	15.55
102	91¼	Burnley 13pc 1987	93¼	−½	14.53	15.04
95½	87	Cardiff 11pc 1986	83	−⅓	13.15	15.74
100⅛	98⅜	G.L.C. 12½pc '82	98⅜	−⅛	12.71	14.97
99	93½	Do. 12½pc 1983	95½	−¼	15.00	15.29
95⅜	92½	Glasgow 9¼pc '80-82	94	−¼	9.84	15.12
75½	68	Herts 6¼pc 1985-87	69½	−½	9.83	14.92
98¾	82½	Leeds 13½pc 2006	82½xd	−1	16.36	16.36
91½	87	Liverpool 9½pc '80-84	87¾	−¼	11.12	15.48
26	22½	D. 3½pc Irred.	22½xd	−¼	15.73	—
100½	96¼	Lon. Corp. 13¼pc '83	96¼	−¼	13.77	15.28
88¾	86¼	Do. 9¼pc '84-85	86¼	−¼	11.73	12.75
80½	78½	LCC 5½pc '82-84	79¾	......	6.98	14.45
71¼	63¾	Do. 5½pc '85-87	65¾	−½	8.55	14.97
70¼	61½	Do 6¾pc '88-90	61½	−½	11.19	15.80
23¼	20	Do. 3pc '20 Aft.	20¼	+½	14.80	—
97¼	92	Sunderland 12¼pc 1984	92	−¼	13.32	15.41

COMMONWEALTH AND AFRICAN LOANS

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
97½	92¼	Aust. 5½pc '81-82	95½	......	5.75	13.99
87½	83½	Do. 6pc 1981-83	86½	......	7.08	14.26
67¼	59	N.Z. 7¼pc 1988-92	59½	−¼	12.45	15.24
81¼	74	Do. 7½pc '83-86	75½	−¼	10.19	15.54
141	115	S. Rhod. 2½pc Non-Ass.	139	......	—	—
61	45	Do. 3½pc 80-85 Assd.	60	......	6.00	18.80
43	26	Do. 4½pc 87-92 Assd.	39	......	11.66	17.60
395	333	Zimbabwe Ann (£100pa)	340xd	......	—	22.34

LOANS

Public Board and Ind.

Financial

Building Societies

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCE—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

Tins

Copper

Miscellaneous

Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
Burma Mines 10p	37	......	0.75	0.9	6.3
Colby Res. Corp.	190	+10	—	—	—
Cons. Murch. 10c.	310	......	tQ30c	1.8	5.5
††Explaura Gold	9½	......	—	—	—
††Hemerton 10c.	53	......	—	—	—
Highwood Res.	90	+10	—	—	—
Northgate C$1	355	−15	—	—	—
R.T.Z.	515	+3	16.0	3.2	4.5
Do. 9¾% Cv. Ln. '95-2000	£113½	......	Q9¾%	—	(8.1
††SPO Minerals 10p	15	+2	—	—	—
Sabina Inds. C$1	20	......	—	—	—
††SWCM 10p	30	......	—	—	—
Tara Exptn. $1	555	−10	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- "Tap" Stock.
- Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- Figures or report awaited.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- Dealt in under Rule 163(3).
- Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- Merger bid or reorganisation in progress.
- Not comparable.
- Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	43	−3
Bertrams	9	......
Bdg'wtr. Est. 50p	435	......
Craig & Rose £1	£13	......
Finlay Pkg. 5p	22	......
Craig Ship. £1	£21	......
Higsons Brew	65	......
Nott (Jas) 25p	540	......
I.O.M. Stm. £1	167	......
Pearce (C. H.)	250	......
Peel Hldgs.	101	......
Sheff. Refrshmt	90	−2
Sindall (Wm.)	194	......

IRISH

Conv. 9% '80/82	£92½	......
Nat. 9¾% 84/89	£69¾	......
Fin. 13% 97/02	£73¾	+⅛
Alliance Gas	63	......
Arnott	225	......
Carroll (P.J.)	79½	+1½
Concrete Prods.	90	......
Helton (Hldgs.)	27	−1
Irish Ropes	44	......
Jacob	66	......
T.M.G.	16	......
Unidare	76	......

OPTIONS

3-month Call Rates

Industrials	
A. Brew	6½
BOC Intl.	11
B.S.R.	7
Babcock	11
Barclays Bank	36
Beecham	18
Blue Circle	35
Boots	20
Bowaters	24
Brit. Aerospace	17
B.A.T.	25
Brown (J.)	9
Burton Ord.	14
Cadburys	7½
Courtaulds	7
Debenhams	10
Distillers	17
Dunlop	6½
Eagle Star	25
F.N.F.C.	3
Gen. Accident	30
Gen. Electric	60
Glaxo	28
Grand Met.	13
G.U.S. 'A'	44
Guardian	30
G.K.N.	15
Hawker Sidd	25
House of Fraser	14
I.C.I.	20
"Imps"	7
I.C.L.	6
Ladbroke	30
Legal & Gen.	20
Lex Service	10
Lloyds Bank	28
"Lofs"	4½
London Brick	7
Lucas Inds.	18
"Mams"	20
Mrks. & Spncr	11
Midland Bank	26
N.E.I.	8
Nat. West. Bank	32
P & O Dfd.	12
Plessey	24
Racal Elect.	34
R.H.M.	5
Rank Org. Ord.	18
Reed Intnl.	25
Sears	5
Tesco	5½
Thorn EMI	30
Trust Houses	15
Tube Invest.	18
Turner & Newall	10
Unilever	50
Utd. Drapery	6½
Vickers	18
Woolworths	6

Property	
Brit. Land	8
Cap. Counties	11
Land Secs.	37
MEPC	20
Peachey	15
Samuel Props.	13
Town & City	2¾

Oils	
Brit. Petroleum	33
Burmah Oil	16
Charterhall	8
KCA	22
Premier	7½
Shell	32
Tricentrol	30
Ultramar	44

Mines	
Charter Cons.	21
Cons. Gold	45
Lonrho	9
Rio T. Zinc	45

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 38

FINANCIAL TIMES
Friday September 18 1981

Costa Rica in £682m crisis plea

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

COSTA RICA yesterday told its international bankers that it faces a foreign exchange financing requirement of \$1.25bn (£682m) between now and the end of 1982.

The gap is more than a quarter of last year's \$4.85bn gross domestic product.

A telexed statement which paints the most gloomy picture yet of the country's precarious external finances says "Costa Rica "faces a prolonged period of severe adjustment and austerity."

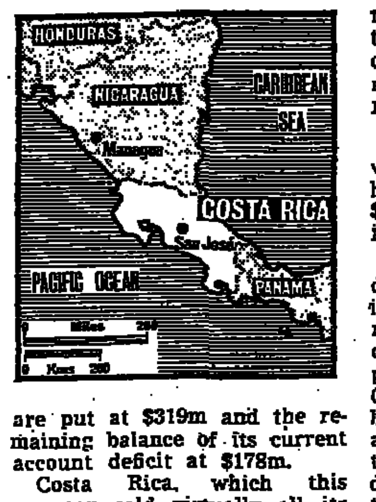
The statement, which follows last Friday's announcement that the country was going to seek a rescheduling of its \$2.6bn public sector external debt, is in marked contrast to previous official suggestions that Costa Rica was facing only a temporary cash flow problem.

The austerity implicit in the figures being presented to international banks has rekindled concern over the future social and political stability of the country as tension begins to mount ahead of next year's general election.

Costa Rica has long prided itself on being the only working democracy in politically troubled Central America.

The figure of \$1.25bn, which the statement refers to as a "foreign exchange resources gap," was arrived at in collaboration with Costa Rica's financial advisers, S. G. Warburg, Lazbard Freres and Kuhn Loeb Lehman. It assumes that imports can be held to only \$1.57bn during the next 15 months, some \$400m less than provided for in the country's current IMF programme.

Repayments due on foreign debt during the period amount to \$629m, interest requirements



are put at \$319m and the remaining balance of its current account deficit at \$178m.

Costa Rica, which this summer sold virtually all its gold holdings, is bereft of foreign exchange. Its Central Bank is understood to be running a \$500m net negative reserve position, which means that its short-term foreign exchange liabilities exceed its medium-term holdings of currency by that amount.

Already Costa Rica is behind with debt service payments, having accumulated arrears of \$68m in principal and \$58m in interest.

International bankers yesterday played down the financial implications of the planned debt rescheduling. Although the debt includes five bond issues publicly quoted in West Germany, Switzerland, Luxembourg and Singapore, the total amount is small in relation to that incurred by some other developing countries. However, they said they were acutely worried by the political implications of the state of Costa Rica's finances for the Central American region as a whole.

Leasing group sold for £32m

By Christine Moir

FINANCE for Industry, the financing and venture capital group owned by the banks, has agreed to sell Hamilton Leasing, one of its specialist leasing subsidiaries, for £32m, to Lloyds and Scottish, the finance and instalment credit group.

Last December FFI sold Highland Leasing, another specialist leasing company, for £38m.

That was a fund-raising exercise designed to release capital for FFI's investment programme. FFI said the reasons for selling Hamilton were quite different.

The volume of leasing business carried out by FFI has grown beyond the fianance group's ability to absorb the capital allowances which leased assets generate. There is some doubt, therefore, as to whether Hamilton could keep on growing fast enough to protect the jobs of its 200 staff.

So FFI decided Hamilton would be better off within a specialist instalment credit group such as Lloyds and Scottish.

Lloyds and Scottish has been on the acquisition path for more than a year. In May last year it bought Talcott Factors of the U.S. for £13.8m.

Legal threat faces Bill to nationalise French banks

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government was yesterday studying ways of excluding the industrial subsidiaries of French banks from its nationalisation measures, in anticipation of a ruling from the Conseil d'Etat (Council of State) that their takeover on the terms of the Government had envisaged could be unconstitutional.

The unfavourable judgment of the council, which screens legislation before it is submitted to Parliament, is likely to be one of numerous legal hurdles confronting the Government before the nationalisations can take effect.

The Government is not obliged to take the Council's advicve but it risks being challenged in the courts if it ignores it.

Under the Bill, the text of which was leaked to the conservative daily Figaro on Wednesday, the Governmetn proposed that the industrial subsidiaries of banks would be returned to the private sector.

The view of the Conseil d'Etat is apparently that such a move would mean that the Government had failed to demonstrate that nationalisation was a "public necessity," as the constitution requires.

At stake are the industrial subsidiaries of Paribas, Suez and Rothschilds, including the engineering group Compagnie de Fives Lille and the sugar concern Beghin-Say.

The Government yesterday was studying how these subsidiaries could be excluded from the bill or separated from their parent banks in advance of nationalisation. But the technical and legal complications are considerable.

Undoubtedly the Conseil d'Etat's initial view is a psychological victory for M Pierre Moussa, the chairman of Paribas, who has ridiculed the notion of taking over banks' industrial interests only to hand them back.

Paribas indubitably hopes to build on this success to salvage its international operating which account for half its business. But there would be strong resentment within the government if only Paribab's least profitable side—its domestic banking operations—were taken over.

The Bill leaves open the possibility of case-by-case negotiations with foreign banks in partnership with Paribas and Suez who object to nationalisation.

Officials seemed less worried yesterday by the prospect of the Conseil d'Etat ruling that foreign banks with deposits of more than FFr 1bn (£97.6m)—the trigger point for nationalisation of French banks—would have to be taken over to avoid charges of discrimination against French banks.

Nationalisation formula, Page 28

GKN returns to profits again for first half of year

BY CHRISTINE MOIR

GKN, the largest British engineering group, has hauled itself back into profits of £6.4m at the pre-tax stage for the first half of this year after losing £7.4m in the preceding six months.

However, Mr Trevor Holdsworth, the chairman, warned yesterday that "the improved results should not be interpreted as an indication of the beginning of an economic upturn for the UK." The group has made no attempt to restore the dividend which was cut savagely last year.

The interim dividend is to be 4p per share, the same as last year's level which had been cut from 5.8p. The final dividend was then slashed from 13.6p to 4p.

Since March this year the group has noticed that demand has stopped falling and destocking is coming to an end. But yesterday, Mr Holdsworth stressed that demand had now stabilised at low levels and there were "no indications of early improvement."

The UK businesses continued to lose money in the first half, although at a rate of only £m compared with the £40m of tradinglosses in the previous period. But international sales climbed by £40m to £178m and trading profits rose from £9m to £14m with particularly strong growth in America.

Losses in the general steel division were halved from the £12m recorded between June and December last year, but this reflects the heavy closure programme of the worst loss-makers. The turnround to profits of £3m in special steels and forgings from losses of £13m also reflects the redundancy costs borne in the earlier period.

GKN laid off 12,400 workers last year and provided for a further 5,000 job cuts this half. In the event, a further 2,500 has been allowed for in the interim figures. Mr Holdsworth also said that "short-term working still continues in a number of operations."

However, that seemed sufficiently good news for the price of GKN's shares on the market to rise by 11p to 178p.

Report, Page 22

Continued from Page 1

D-Mark

down against the Swiss franc at SwFr 3.5950 (SwFr 3.6675) and against the French franc at FFr 10.0350 (FFr 10.2050).

In its monthly report yesterday the West German central bank for the first time supported the view that there had bee na turning point in the trend of the current account after last year's huge DM 30bn deficit.

It said the Federal Republic had made more progress than could have been expected at the beginning of the year in adjusting to the external economic pressures it faced.

Nevertheless, it still maintained that there was no room for a "painless uncoupling" of the domestic economy from overseas influences (in particular the dollar) which could lead to a sharp fall in German interest rates below prevailing international rates.

Thus the central bank says that while the rally of the DM against the dollar should help to ease inflationary pressures from abroad (there are already signs that domestic oil prices may be stabilising for the first time this year) no such beneficial effect can be expected in relation to those European countries which have a high inflation rate but are, with West Germany, members of a "fixed exchange rate system"—namely the EMS.

The central bank would like to see a revaluation of the DM within the EMS at some point

Opec price pact 'in the balance'

AN EARLY agreement on a unified oil pricing system within the Organisation of Petroleum Exporting Countries is hanging in the balance, Opec's president Dr Subrota said in London yesterday.

The chances of Opec ministers meeting to discuss prices before their scheduled conference in Abu Dhabi in December were fifty-fifty, he said.

Agreement was not possible while some members, among them Libya and Algeria, resisted pressures for a reduction in their crude oil prices.

Dr Subroto, the Indonesian Minister of Mines and Energy, is talking with other Opec delegates to see if it is possible to arrange a compromise based on a reference price of about \$34 a barrel.

There were uncertainties frustrating such an agreement, he said. Energy demand continued to fall, leaving the market for Opec oil unusually low.

But there could soon be signs—particularly from the U.S.—that the international economy is about to recover.

This could harden the attitude of some oil producers resisting pressures for price cuts.

It was essential that such an agreement should also include an Opec commitment to regulate production levels, he said.

● Worldwide production and consumption of crude oil is expected to decline for the remainder of this year and throughout 1982, according to a new report by Commodities Research Unit, the London-based economic and commodity consultants.

North Sea plans, Page 8

EEC to raise export credit rates

BY GILES MERRITT AND PAUL CHEESERIGHT

EEC Finance Ministers yesterday agreed in Brussels that interest rates for export credits should be raised by up to 2.5 per cent.

Their agreement opens the possibility of settling what has been a damaging and drawn-out credits dispute with the U.S.

The decision was taken to give the Commission a negotiating mandate at talks to be held in Paris next month when further efforts will be made to reform the international consensus on export credits. This embraces the U.S., EEC, Japan and 10 other nations.

The consensus is a set of guidelines covering the conditions under which loans may be given to finance the purchase of mainly capital goods.

Present minimum interest rates run from 7.5 per cent to 8.75 per cent, depending on the nature of the country taking the loan and the duration of the credit.

The disparity betwen consensus rates and the market cost of funds, the heavy use of official subsidies to support the loans and the intense competition to win major project contracts have combined to place the consensus under pressure and led to fudging of its rules.

Commitments to reform the consensus were made at the Venice economic summit of the leading industrial nations in June 1980.

Meetings since then have broken up without agreement and the Paris meeting will probably be the last change to avoid an open credits war with exporting countries simply ignoring Consensus rules.

In Brussels, the Finance Ministers would not formally announce their new position.

But it is understood they agreed to accept increases of 2 percentage points on loans offered to poorer countries, 2.25 percentage points on loans for the intermediate economies and 2.5 per centage points for relatively rich countries.

The evident change in the EEC position may be enough to satisfy U.S. negotiators in Paris.

But the insistence of Japan in wanting the freedom to offer credits at their own domestic long-term lending rates, which are below the consensus rate could cause the Paris meeting to founder as the EEC would not agree to Tokyo's urgings.

CONSENSUS MINIMUM EXPORT CREDIT INTEREST RATES — %

New EEC negotiating position in brackets

	Maximum repayment terms - years		
	2-5	5-8.5	8.5-10
For countries which are:			
Relatively-rich	8.5 (11)	8.75 (11.25)	n.a.
Intermediate	8.0 (10.25)	8.5 (10.75)	n.a.
Relatively-poor	7.5 (9.5)	7.75 (9.75)	7.75 (9.75)

Prestel to launch high-speed 'mail' service

By Guy de Jonquieres

PRESTEL, British Telecom's viewdata information service, is undergoing a major reorganisation intended to boost its disappointing sales performance and cut costs.

Later this month, a pilot "electronic mail" service will be launched on Prestel. It will enable subscribers to use their terminals to send written messages through the telephone network at high speed for 5p a time.

This will be followed in March by another new facility, known as Gateway. It will enable Prestel to handle services such as instantaneous travel reservations, personal electronic banking and home computing.

About a dozen companies already plan to operate services using Gateway. They include Barclays Bank, American Express, Thomas Cook, Thomson Holidays, Unilever Computing Services and Fintel, a subsidiary of the Financial Times.

Prestel has not been able to handle instantaneous transactions, such as confirmed airline bookings because the information carried on the service could not be updated automatically and users could not communicate directly.

Despite heavy promotion and investments of about £30m by British Telecom, the service has failed to fulfil its early promise since it was started in 1979.

Prestel uses simple television-like terminals to retrieve and transmit computerised information. It was hoped originally that 50,000 terminals would be connected by the end of last year, mostly in private homes.

But only about 13,000 terminals have been attached to the service so far. Most belong to business users, and Prestel is believed to be operating at a loss.

British Telecom has abandoned hopes that a mass market will develop soon and 14 of the 20 computers used to relay it around the country are being put into mothballs. This is expected to save about £1m a year.

Prestel's marketing operation is being restructured and will focus mainly on selling the service to business users. The scaled-down residential sales campaign will be aimed largely at the growing number of home computer users.

Personal computing is thought to be a better sales vehicle than the television industry, whose failure to manufacture large numbers of low-cost Prestel terminals has disappointed British Telecom.

Spring debut, Page 8

Weather

UK TODAY

CLOUD and rain will spread eastwards, covering the country by evening.

London, E. England
Mainly dry but rain spreading from west. Max 18C (64F).

S. and N. England, Channel Isles, Midlands, Borders, S.E. Scotland
Cloudy, some rain giving way to showers. Max 18C (64F)

S.W. England, Wales, Lakes, Isle of Man, N. and W. Scotland, Orkneys and Shetland
Heavy rain in places giving way to showers and sunny intervals. Max 17C (63F).

WORLDWIDE

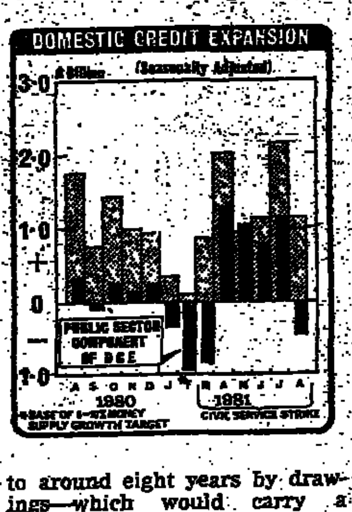
		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	25	77	London	C	18	64
Algiers	S	29	84	L. Ang.†	Cl	19	66
Amsdm.	R	18	64	Luxmbg.	F	20	68
Athens	S	24	75	Luxor	S	37	99
Bahrain	S	37	99	Madrid	F	29	84
Barclna.	F	27	81	Majorca	S	28	82
Beirut	S	28	82	Malaga	F	26	79
Belfast	C	15	59	Malta	F	29	84
Belfast	C	15	59	Mchstr.	C	19	66
Belgrd.	F	13	55	Melbne.		—	—
Berlin	S	15	59	Mx. C.†		—	—
Biarritz	S	25	77	Miami†		—	—
Bmghm.	C	20	68	Milan	S	23	73
Blackp'l	F	18	64	Montrl.†	S	10	50
Bordx.	S	26	79	Moscow	C	12	54
Boulgn.	C	17	63	Munich	F	18	64
Bristol	C	20	68	Nairobi	F	26	79
Brussels	C	18	64	Naples	F	24	75
Budpst.	F	16	61	Nassau		—	—
Cairo	F	30	86	Nwcstl.	C	19	66
Cardiff	C	19	66	N York†	S	16	61
Casbca.	C	24	75	Nice	C	23	73
Cape T.		—	—	Nicosia	S	26	79
Chicg.†	C	8	48	Oporto	C	20	68
Cologne	F	19	66	Oslo	C	12	54
Cpnhgn.	F	15	59	Paris	F	21	70
Corfu	S	25	77	Perth		—	—
Denver†.	Cl	9	48	Prague	F	16	61
Dublin	C	18	64	Rykjvk.	R	12	54
Dbrvnk.	F	23	73	Rhodes	S	24	75
Ednbgh.	F	19	66	Rome	R	25	77
Faro	C	25	77	Salzbrg.	F	18	64
Florence	S	25	77	S'cisco†	S	15	59
Frankf't	C	16	61	S. Mritz.		—	—
Funchal	F	26	79	Singapr.		—	—
Geneva	S	20	68	S'tiago†		—	—
Gibrltr.	F	24	75	Stckhm.	F	11	52
Glasg'w	F	17	63	Strasbg.	C	19	66
G'rnsey	C	17	63	Tangier	F	25	77
Helsinki	S	10	50	Tel Aviv	S	28	82
H. Kong		—	—	Tenerife	S	27	81
Innsbrk.	S	20	68	Tokyo		—	—
Invrnss.	F	17	63	Trnto.†	R	9	48
I.o.Man	F	16	61	Tunis	S	27	81
Istanbul	S	20	68	Valencia	S	27	81
Jersey	C	20	68	Venice	F	23	73
Jo'burg		—	—	Vienna	F	14	57
L. Plms.	F	25	77	Warsaw	C	10	50
Lisbon	C	24	75	Zurich	C	18	64
Locarno	F	21	70				

C—Cloudy, Cl—Clear, F—Fair, R—Rain, S—Sunny.
† Noon GMT temperatures.

THE LEX COLUMN

GKN turning the corner

Index rose 5.9 to 531.4



GKN is still barely breaking even in the UK before finance costs—but at least its figures are now pointing in the right direction. Group profits before redundancy costs, interest and tax emerge at £34.1m in the half year to June, compared with £55.1m and £7.4m in the first and second halves of 1980. The pre-tax figure of £6.4m is swamped by the tax charge on overseas profits and a further £11m of extraordinary items. But the dividend has been maintained, and now looks reasonably safe at 1980's much reduced level.

In last year's figures, GKN provided for 5,000 redundancies to take place in 1981, and a further 2,500 have been allowed for in these interim figures. This will cut the UK workforce down to just under 50,000, compared with an average of 65,000 in 1980. But the pace of the lay-offs is at last slackening, and short-time working is down to 4,000 employees compared with as many as 25,000 in the second half of 1980.

Although demand now seems to have stabilised, GKN sees no sign of a recovery in the offing. Its profits should pick up further in the current half—but mainly as a result of the vast reduction in costs. In addition, the group hopes that export margins might start to strengthen, and its overseas interests are more than holding their own.

At a wild guess, annual profits could come out around £30m, and with annual sales approaching £2bn it would only take a marginal improvement in demand for profits to double in 1982. That hope seems to be in the share price, with a yield of 6½ per cent at 178p and a market capitalisation of £295m. It has to be remembered that although working capital is being held in tight check, total debt could be pushing towards 60 per cent of shareholders' funds by the year-end.

Nationalisables

By the standards of some past nationalisations, the French Government's preliminary proposals for compensating dispossessed shareholders look downright generous. The price paid would be the average of market prices over the three years to the end of 1980, and although 1978 began at a very low ebb—ironically, because of fears of a Left-wing victory in parliamentary elections — the market then doubled in little over a year and stayed at a relatively high level thereafter.

Payment would be made in floating rate 15-year bonds—with an average life reduced to around eight years by drawings—which would carry a floating interest rate linked to the average of fixed-interest Government bonds yields. And on top of it all, 1981 net earnings would be distributed in full as valedictory dividends.

Of course the Bourse is calling out for net asset value—which would mean FFr 520 in the case of Thomson-Brandt, compared with a probable price of FFr 216 and the present suspended market price of FFr 190. But the heavy industrial groups covered by these proposals have not traded anywhere near book value for years: Thomson has been capitalised for much of the time at around the market value of its stake in the Thomson-CSF electronics group.

If these proposal are passed by Parliament, shareholders will be paid a price that reflects values ruling under what was a pro-business government, expected to remain in power for several years, which gave tax concessions for investment in equities. The outlook for the corporate sector in France is bleaker than it was a year ago, and a company like Rhône-Poulenc, for instance, has serious structural problems. The nationalisation programme is regettable in itself, but these proposals can in no way be described as expropriation.

Money supply

The two factors which persuaded the Bank of England to raise interest rates on Monday dominated the London financial markets again yesterday. Sterling was falling sharply against the EMS currencies (talk of an imminent D-mark revaluation is in the air again), and the unsatisfactory August money supply figures were published.

With the civil service strike over, the public sector—thanks in part to surprisingly buoyant net sales of debt—is a contractionary influence on the money supply. But seasonally adjusted bank lending was £1½bn in the month, and it seems unlikely that much of it reflected borrowing for tax purposes since a 2 per cent fall in the narrow measure of money, M1, suggested that taxes were being paid by the running down of bank deposits.

The broad measures of money are still running way above the 6 to 10 per cent target for sterling M3 growth — the broadest of all, PSL2, showed 15 per cent annual growth in the February-August period. Still, the gilt-edged market closed above its lowest levels of the day, nervously awaiting possible funding measures this afternoon.

Foseco Minsep

Foseco Minsep's announcement of a rights issue to raise £24m went down like a lead balloon on the stock market yesterday. The shares fell 26p to 206 where, ex-dividend, they stand only 8.4 per cent above the rights price of 182p.

Foseco's explanation for the issue is admittedly uninspiring. It is hoping to cash in on an expected increase in world steel demand over the next decade. A more plausible reason might be the level of net debt, which has crept over 50 per cent of shareholders funds at the half year. Foseco is uncomfortable with gearing of over 40 per cent and needs some latitude to pursue its piecemeal acquisition strategy.

Foseco's shares, which virtually stood still in the late 1970s have been stronger lately, and there is some element of opportunism in the cash call. More worrying is the likely earnings dilution. The Unicorn purchase and the rights issue will have boosted share capital by about 80 per cent in little over a year: on a fully diluted basis, and earnings per share will probably show some decline next year even on pre-tax profits of around £33m. Foseco has paid no mainstream corporation tax for two years so the new equity will do nothing to help its ACT problem.

But Foseco has consistently earned a historic return on capital of 25 per cent or more and the geographical spread of its businesses is enviable. With ample dividend cover cushioning a yield of 5.1 per cent at the ex-rights price, shareholders should give it the benefit of the doubt.

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